



United Nations Development Programme
Country: Moldova
PROJECT DOCUMENT



Project Title: Strengthening capacities to undertake environmental fiscal reform to meet national and global environmental priorities

UNDAF Outcome(s): By 2011, Public Institutions with the support of Civil Society Organizations (CSO) are better able to ensure good governance, rule of law and equal access to justice and promotion of human rights

UNDP Strategic Plan Environment and Sustainable Development Primary Outcome: Mobilizing environmental financing

UNDP Strategic Plan Secondary Outcome: Mainstreaming environment and energy

Expected CP Outcome(s): Management of environment and natural resources is improved in compliance with international standards

Expected CPAP Output(s):

- CPAP Output 1.4.1: Environmental monitoring and information systems and tools are updated and effectively used
- CPAP Output 1.4.3: Civil society is better able to participate in environmental policy formulation and monitoring

Executing Entity/Implementing Partner: Ministry of Environment

Implementing Entity/Responsible Partners: Ministry of Environment, UNDP

Programme Period:	2007-2012
Atlas Award ID:	61741
Project ID:	78482
PIMS #	4379
Start date:	2011
End Date	2013
Management Arrangements	NIM
PAC Meeting Date	15 Sept. 2011

Total resources required	1,120,450
Total allocated resources:	620,450
• Regular (UNDP TRAC)	110,000
• Other:	
○ GEF	510,450
In-kind contributions/funds not managed by UNDP	500,000
○ OECD	200,000
○ Government	250,000 ¹
○ UNDP	50,000

Agreed by (Ministry of Environment):

Date/Month/Year

Agreed by (UNDP):

Date/Month/Year

¹ Grant co-financing however not transferred to UNDP account but managed by the Ministry of Environment

Brief Description

This project sets out to build capacities for implementing environmental fiscal reforms (EFR) that will produce increased national and global environmental benefits through the adoption of selected subsidies, fees, fines, taxes and other appropriate fiscal instruments. The reforms will focus on creating conditions, financial incentives and disincentives, and decreased opportunity costs to undertake actions that deliver global environmental outcomes. The expected outcome is that EFR will be adopted as an important element of Moldova's development policy, whereby improved fiscal and financial instruments and their use would strengthen regulatory and other approaches to environmentally sound and sustainable development, with a particular emphasis of meeting obligations under the three Rio Conventions. The project will also contribute to and complement a broader national decentralization reform process, including policy planning at the national level, redesigning of competencies and responsibilities of local and sub-national governments and reforming local government revenue systems. In order to reach Government of Moldova's objective, the project will adopt a focused and comprehensive strategy composed of three main components.

Component 1: Reform of environmentally harmful subsidies, green subsidies, as well as environmental charges within the agricultural and energy sectors.

Component 2: Capacity development for EFR to build consensus among concerned stakeholders.

Component 3: Integration of EFR in local and central planning processes

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Acronyms and Abbreviations

ANRE	National Energy Regulatory Agency
APIA	Agency for Payments and Interventions in Agriculture
APR	Annual Progress Reports
AWP&ABP	Annual Work and Budget Plans
CBD	United Nations Convention for Biological Diversity
CCCD	Cross-Cutting Capacity Development
CCD	United Nations Convention to Combat Desertification
CPAP	Country Programme Action Plan
EA	Executing Agency
EFR	Environmental Fiscal Reform
EFRC	Environmental Fiscal Reform Commission
EU	European Union
FCCC	United Nations Framework Convention for Climate Change
GEF	Global Environment Facility
GHG	Greenhouse Gas
IDP	Institutional Development Plan
IEA	International Energy Agency
JILDLP	Joint Integrated Local Development Programme
LECRDS	Low Emission and Climate Resilient Development Strategy
LEDS	Low Emissions Development Strategy
LEFs	Local Ecological Funds
LPA	Local Public Administration
MAFI	Ministry of Agriculture and Food Industry
M&E	Monitoring and Evaluation
MRDC	Ministry of Regional Development and Construction
MoE	Ministry of Environment
MoEc	Ministry of Economy
MTEF	Medium-Term Expenditure Framework
NCSA	National Capacity Self-Assessment
NDS	National Development Strategy
NEF	National Ecological Fund
NEX	National Execution
NGOs	Non-Governmental Organizations
NPB	National Public Budget
OECD	Organization for Economic Development and Cooperation
PA	Project Assistant
PBB	Performance Based Budgeting
PCM	Project Cycle Management
PIF	Project Identification Form
PM	Project Manager
PT	Project Management Team
PPG	Project Preparation Grant
RCU	Regional Coordination Unit
RDA	Regional Development Agencies
REPIN	Regional Environmental Programme Implementation Network
SBAA	Standard Basic Assistance Agreement
SEI	State Ecologic Inspectorate
UNCBD	United Nations Convention for Biological Diversity
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention for Climate Change
VAT	Value-Added Tax

I. SITUATION ANALYSIS

Context and global significance: Environmental, policy and institutional

This project was developed under the GEF's Strategic Approach to Enhance Capacity Building and priorities for targeted interventions under the GEF-5 Cross-Cutting Capacity Development Strategy. To this end, the project targets Capacity Development Objective 4, which calls for the development of sustainable financial mechanisms to meet the shared objectives under the three Rio Conventions. The project's objective of reforming the administration of fees, fines, charges, taxes, and subsidies as they affect environmental protection is a critical need to ensuring streamlined financing of national activities for Moldova to meet international environmental obligations.

This project will allow Moldova to meet other strategic focal area priorities under the GEF Operational Programmes. This includes Objective 1 of the GEF Biodiversity focal area: Improve sustainability of protected area systems by improving the system of financial flows necessary to meet the recurrent costs of protected area management. This project also responds to Objective 1 of the Climate Change Mitigation focal area, which calls for demonstrating, deploying, and transferring innovative low-carbon technologies through policy reform that will be undertaken by the project at the level of the fiscal system in the energy sector.

By reducing or eliminate environmentally harmful subsidies and reforming existing environmental subsidies and developing innovative financing mechanisms and instruments, specifically in the agricultural sector, the project will contribute to reduced anthropogenic pressures on natural resources from competing land uses and improved sustainable flows of agro-ecosystem services to sustaining the livelihoods of local communities as envisaged under the GEF land degradation strategy.

Summary of the project component's contribution to specific articles under the three Rio Conventions

Further details are provided in Annex D.

Project Components	CBD	CCD	FCCC
Component 1: Subsidy/charges reform	Art. 7(c) Art. 16.1 Art. 10(e) Art. 16.2 Art. 11 Art. 20.1 Art. 14.1 (a) Art. 21.4 Art. 14.1 (b)	Art. 4.2(a) Art. 5 Art. 19.1(c) (d) (e) (f) Art. 20.1 Art. 20.3	Art. 4.1(c) Art. 5(a)
Component 2: Consensus building on EFR	Art. 10(a) Art. 13(a) Art. 10(e) Art. 17.1 Art. 11 Art. 17.2 Art. 12(a)	Art. 19.3 (a) Art. 19.3 (b) Art. 21.3	Art. 4.1(h) Art. 4.1(i) Art. 6(a)(iii)
Component 3: EFR integration in planning processes	Art. 6(a) Art. 20.1 Art. 6(b) Art. 21.4 Art. 8(m)	Art. 20.1 Art. 20.3	Art. 4.1(c) Art. 6(a)(iv) Art. 4.1(d) Art. 6(b)(ii) Art. 4.1(f)

National policies and legal context for environmental management and EFR

By definition, EFR is about welfare gains generated by reducing taxes on labor, capital, consumption while simultaneously increasing taxes or charges on externalities, as well as subsidy reform (developing green subsidies and reforming environmentally harmful subsidies). The OECD² has pointed out many opportunities offered by EFR to address poverty alleviation, including opportunities coming from the

² OECD (2005): Environmental Fiscal Reform for Poverty Reduction. DAC Guidelines and Reference Series

following sectors: forestry, fisheries, fossil fuels, electricity, drinking water and industrial pollution control. Accordingly an EFR approach should be integrated within existing national policies and plans.

*The National Development Strategy(NDS) for 2008-2011*³ is the main internal medium-term strategic planning paper, which defines the development objectives of the Republic of Moldova to be met by 2011 and identifies the priority measures and actions to achieve these objectives. NDS serves as a unique tool for the integration of the current strategic framework, alignment between the budgeting process and the policy framework, and absorption of external technical and financial assistance. Initiatives that are part of NDS will be reflected in the national public budget (NPB) and in the Medium-Term Expenditure Framework (MTEF). Together, the NDS and MTEF serve as a framework for the allocation of resources to priority areas for several years, and for the reorientation of public expenditures towards achieving national objectives. The chapter on “*Regional Development*” of the NDS covers the implementation of environmental policy, in particular the prevention of environmental pollution and promotion of the efficient use of natural resources aimed at improving the quality of life. The NDS also states that the country's sustainable development is only possible by ensuring that quality environmental factors are directly linked to the country's economic performance. Other sectoral strategies and programmes related to environmental management and EFR include:

- National programme to create businesses with the help of invested remittances⁴
- National programme to ensure environmental security for 2007-2015⁵
- Strategy on water supply and sewerage of the localities in Moldova⁶
- National Sustainable Development Strategy of Moldova's agro-industrial complex (2008-2015)⁷
- National Strategy for Regional Development⁸
- National Programme for Reclamation and Planting of new Forests on the Land Available for Forestry for 2003–2020

*The Law on Environmental Protection*⁹ is currently being revised to ensure a coherent framework of principles governing environmental protection and compliance to European Union (EU) directives. The draft law is well-structured and contains regulation regarding: (i) environmental impact assessments; (ii) access to information, public participation and access to justice in environmental matters; (iii) integrated environmental management, including economic regulation; (iv) attributes, responsibilities; and (v) other obligations in environmental matters.

*The Law on Ecological Expertise and Environmental Impact Assessment*¹⁰ establishes goals, tasks and principles of ecological expertise and environmental impact assessment and the basic rules of their organization and performance. This law covers state systems and organizations, ecological expertise resident in public administration, organizing and carrying out environmental impact assessments, establishing sources of funding to access environmental expertise, and approving environmental impact assessment regulation.

*The Forestry Code*¹¹ regulates the sustainable management of forests by wise use, restoration, forest protection, maintenance, preservation and enhancement of forest biological diversity, as well as to make

³ Law No.295-XVI, December 21th, 2007. “On approval of the National Development Strategy for 2008–2011”

⁴ Rethink Moldova Priorities for Medium Term Development (Report for the Consultative Group Meeting in Brussels 24 March 2010)

⁵ Government Decision No. 304, March 17th, 2007

⁶ Government Decision No. 662, 13.06.2007

⁷ Government Decision No. 282, 11.03.2008

⁸ Government Decision No. 158, 04.03.2010

⁹ Law No. 1515, 16.06.1993

¹⁰ Law No. 851, 29.05.1996

¹¹ Code No. 887, 21.06.1996

forest resources available for current and future societal needs. Forests in the Republic of Moldova, used in the public interest, shall be exclusively public property. Private ownership of forests is allowed in case of planting them, under the law, on privately owned land. The present code also regulates the public authority's competence in forestry relations and management of forestry and wildlife funds.

*The Land Code*¹² regulates the use and management of land resources. The present code also regulates the competence of public authorities responsible for land resource management, the allocation and disposal of all categories of land, rights and obligations of landowners, protection and improvement of land, liability for infringement of land legislation, among others.

*The Water Code*¹³ regulates water use, management, and protection, including liability for violations of water legislation. State administration in water use and protection is exercised by local and central government authorities, in the manner authorized for that purpose.

*The Tax Code*¹⁴ establishes the general principles of taxation in the Republic of Moldova, the legal status of tax payers, the tax authorities and other participants in the relations regulated by tax laws, principles for determining the object of taxation, evidence of income and deducted expenditure principles, the terms and conditions prosecution for violation of tax laws and how to contest the actions of tax authorities and persons in charge thereof.

*The Mineral Resources Code*¹⁵ regulates mining relationships in order to ensure rational use of subsoil to meet complex needs of mineral raw material and other needs of the national economy, protection of subsoil, work security on underground as well as defending the rights of individuals and legal persons, regardless of type of ownership and legal form of organization.

Institutional context for environmental management and EFR: Several institutions in Moldova have environmental management responsibilities and will play some role in the promotion of EFR approaches.

The Ministry of Environment (MoE) is the key institution responsible for environmental management and MoE for the overall coordination of the improvement of the country's environmental policy and legislation and international multilateral agreements. The MoE administers two other key agencies which play an important role in this project:

- National Ecological Fund (NEF) and Local Ecological Funds (LEF), directly administered by the Ministry, supporting environmental investments.
- State Ecologic Inspectorate (SEI), which is the primary institution within the Ministry responsible for the compliance and enforcement of environmental protection legislation in Moldova.

Other national institutions that play a key role in the adoption of EFR approaches in Moldova are the following:

- Ministry of Finance
- Ministry of Agriculture and Food Industry
- Ministry of Economy
- National Energy Regulatory Agency (ANRE)
- Ministry of Transport and Road Infrastructure
- Ministry of Regional Development and Construction (MRDC)
- Regional Development Agencies (RDA)

¹² Code No. 828, 25.12.1991

¹³ Code No. 1532, 22.06.1993

¹⁴ Code No. 1163, 24.04.1997

¹⁵ Code No. 3, 02.02.2009

- Local Public Administration (LPA)
- Moldsilva, Moldova's forestry agency

A number of active environmental NGOs are involved in research, planning and management of projects in the areas of environmental management in Moldova. The private sector in Moldova is mainly composed of small- and medium-sized enterprises (98.7%), while industry is relatively small, having contributed only 11.9% to the GDP in 2009.

Sectoral budget planning and implementation: Driven by the public administration reform, a systematic approach to institutional development has been adopted in Moldova through the development of sector-specific medium-term planning papers that have a clear link to both strategic goals and budget allocations. Such papers, called “Institutional Development Plans” (IDP), support each Ministry in clarifying the functions to be carried out by the respective Ministry. They also ensure a strong link to the Medium-Term Expenditure Framework (MTEF) and provide a basis to identify priorities, including capacity building activities and specific performance targets. At the level of each sector, a Medium-Term Expenditure Framework (MTEF) for 2009-2011 has been adopted and is complemented by the Institutional Development Plan.

Budget Planning in the Environment sector¹⁶

In the environmental sector, the MTEF is structured around key functions for environmental management. It foresees budget programmes covering policy, environmental monitoring, regulation and compliance assurance and ecosystem and infrastructure rehabilitation. However, the environmental sector’s budget is very limited and constitutes 0.2% of the total national budget and is likely to drop to 0.1% by 2011. The MoE has developed its Institutional Development Plan (IDP) and priority actions for 2009-2011, which include the following: (i) development of a waste management strategy; (ii) modernization of the environmental monitoring system; (iii) improvement of state control over compliance with environmental and natural resources management legislation.

Budget Planning in the Agriculture sector¹⁷

In the agriculture sector, the 2009-2011 MTEF stipulates the following programmes: (i) agriculture development; (ii) national forest sector development; (iii) water management and (iv) food security. According to national budget for 2009-2011, the agriculture sector should benefit 3.1% of national budget revenues for 2009 and 2.8% for 2010 and 2011 respectively. The biggest share of the financial resources destined for agriculture sector, should be directed for agriculture development: 87.3% in 2009, 95.3% in 2010 and 92.5% in 2011. The Ministry of Agriculture and Food Industry, the entity responsible for the agriculture policy in the country, has developed its own IDP for 2009-2011. This Plan identifies the priority objectives and actions as follows: (i) to strengthen the ministry’s capacity for agriculture policy development; (ii) to increase the agriculture production in rural areas; (iii) food security; and (iv) adjust the national standards to the EU.

Budget Planning in the Energy sector¹⁸

The central authority responsible for the energy sector is the Ministry of Economy. Unlike the other sectors described above, the MTEF 2009-2011 does not include a separate Expenditures Strategic Plan for the energy sector. However, the main priorities for the energy sector are described in the IDP 2009-2011

¹⁶ MTEF 2009-2011

¹⁷ MTEF 2009-2011 and Institutional Development Plan for 2009-2011

¹⁸ MTEF 2009-2011

developed by the Ministry. These are: (i) to assure the state energy security by diversification of primary energy resources; (ii) to increase energetic and economic efficiency by application of the energy recovery resources and (iii) energy market liberalization and energy sector restructuring in the frame of European energy system integration. For this sector, the 2009-2011 MTEF has allocated 0.4% of the total national budget revenues in 2009, decreasing to 0.1% in 2011.

Overview of current and planned fiscal management relevant to EFR: Moldova's current fiscal policy is focused on: (a) fiscal stability, transparency and equity; (b) tax burden optimization; (c) fiscal legal framework simplification; and (d) national fiscal framework harmonization with the EU legislation. Recently, the Ministry of Finance (MoF) proposed a new set of fiscal policy and tax administration objectives for 2011- 2013¹⁹.

In the Republic of Moldova, the tax system, as set out in the Tax Code, imposes general, state, and local taxes and fees²⁰ at the following three administrative levels:

- (i) central public administration
- (ii) local public administration of level II: level of rayons, Chisinau municipality and Gagauzia ATU
- (iii) local public administration of level I: villages (communes), towns, except for Chisinau municipality²¹.

Fiscal revenues are mainly recovered at the level of the central administration. As shown in Table 1 below, in 2009, the national public budget collected 89.4% of the fiscal revenues, while the budgets of the administrative-territorial units were equivalent to 10.6% of the total taxes and fees collected.

Taxes on natural resources merit close attention and investigation while looking at decentralization and specifically EFR as these taxes are solely collected at the level of administrative-territorial units, despite the fact that taxes on natural resources are not significant and constituted only 0.16% of the total fiscal revenues in Moldova in 2009 (32 million lei out of 2038 million lei of total fiscal revenues at local level), and accounted for only 1.5% of the local fiscal revenues (32 million lei out of 19175 million lei of total fiscal revenues). It should be noted that the main taxes on natural resources are the following:

- a) Water tax
- b) Mineral exploration tax
- c) Tax on geological surveying of useful minerals
- d) Useful minerals extraction tax
- e) Tax on the use of underground spaces for the construction of underground facilities not related to the extraction of useful minerals
- f) Tax on exploitation of underground facilities for the development of entrepreneurial activities, not related to the extraction of useful minerals
- g) Tax on standing timber

Table 1: Distribution of the various taxes at the different administrative levels in 2009

Tax	Administrative level	(%)
Income tax	National public budget	41.4
	Budgets of the administrative-territorial units	58.6
Salary income tax	National public budget	0.1

¹⁹ Ministry of Finance, <http://www.minfin.md/ro/actnorm/taxes/ProiecteDocPolit/>

²⁰ Tax Code, No. 1163-XIII, dated April 24, 1997, Article 6.

²¹ Law on Local Public Administration, No. 436 dated 28.12.2006

	Budgets of the administrative-territorial units	99.9
VAT	National public budget	99.23
	Budgets of the administrative-territorial units	0.77
Excises	National public budget	99.7
	Budgets of the administrative-territorial units	0.3
Road tax	National public budget	70.2
	Budgets of the administrative-territorial units	29.8
Land tax	National public budget	0
	Budgets of the administrative-territorial units	100
Real estate tax	National public budget	0
	Budgets of the administrative-territorial units	100
Tax on natural resources	National public budget	0
	Budgets of the administrative-territorial units	100
Total fiscal revenues	National public budget	89.4
	Budgets of the administrative-territorial units	10.6

To date, Moldova has not been assessing or implementing comprehensive EFR. However, Moldova has some experience with implementing selected EFR instruments, including environmental charges and fines and environmental subsidies. The main EFR instruments currently being applied are summarized below.

Current environmental charges (fees) in Moldova

Environmental charges are mainly regulated by the Law on Payment for Environmental Pollution No. 1540, dated 25.02.1998, with the last amendments made in 2008. The payments for environmental pollution set in this law serve as the basis for establishing the National and Local Environmental Funds. The rates of the charges for environmental pollution are set by the Parliament. The types of charges for environmental pollution that currently exist in the Republic of Moldova are the following:

- Payment for emission of pollutants of the stationary sources
- Payment for emission of pollutants from mobile sources
- Payment for emission of pollutants by the cars not-registered in the Republic of Moldova
- Payment for discharge of pollutants
- Payment for stocking production waste
- Payment for import of goods that cause environmental pollution when used

Subsidies in the Environmental sector

The National and Local Environmental Funds of the Republic of Moldova have been operational since 1998²². The Ministry of Environment coordinates the activity of the National Environmental Fund (NEF) and the Local Environmental Funds (LEFs), although the Local Environmental Funds are subordinated to the State Ecological Inspectorate²³. The aim of establishing environmental funds is to collect additional resources to those currently obtained from the regular budget for financing environmental protection and restoration.

In 2009, the National Environmental Fund accumulated revenues of 192 mil. lei. (around US\$ 15.6

²² Decision No. 988 dated 21.09.1998 related to the approval of the Regulation on Environmental Funds

²³ Functions based on the Decision No. 77 dated 30.01.2004 on Approval of the Structure and Regulation of the State Ecological Inspectorate.

mil.²⁴), which represents more than 20 fold increase in its budget since 2000, as shown in Table 2 below.

Table 2: Evolution of the National Environmental Fund revenues

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues NEF, mil. lei	7.7	7.9	11.0	20.6	24.5	42.2	49.9	57.5	141.6	192.0

The types of expenditures funded through the NEF in 2009 show that the highest share (76%) of the total NEF expenditures aimed at funding projects for implementing the national strategies, programmes, and plans for environment protection.

In 2009, the Local Environmental Funds accumulated revenues accounting for 8,420.4 thousand lei (around US\$ 685,000). The allocations to projects financed by the LEFs in 2009 in the different sectors show that the highest share of 46% is for the transfers to NEF, with 32 % for expenditures related to maintaining the level of technical capacities through training and awareness building and remuneration of personnel, while around only 22% are expenditures related to protection, construction and development of environmental protection measures.

Subsidies in the Agriculture sector

One of the main areas where the government provides subsidies is the agriculture sector. The subsidy system for farmers in 2008-2015²⁵ was established for the following purpose modernizing the agricultural sector and improving crop and livestock yields. The Agency for Payments and Interventions in Agriculture is responsible for the subsidy system, and is subordinated to the Ministry of Agriculture and Food Industry.

In 2010, although the approved funds for the Agency were at the level of 300 million lei (around US\$ 26 million), additional allocations were received by the Agency and the total budget of the Agency in 2010 was around US\$ 50 million. Similarly, the Agency's total budget in 2009 was equivalent to US\$ 50 million. The distribution of agricultural subsidies in 2010 shows that the subsidy for ecological agriculture was at the level of 0.3% of the total subsidy funds while subsidies for the utilization of fertilizers and pesticides were at the level of 2.8% of the total subsidy fund. In other areas of agricultural subsidization, environmental criteria are not applied.

Pricing policies in the Energy sector

The current taxation policy for imported natural gas is at the reduced rate of 6% VAT to residential consumers. Imported gas is not subject to excise or customs taxation. Electricity supplied to the population is not subject to taxation. Similarly, thermal energy not subject to taxation. To minimize the burden of rising energy prices on socially vulnerable segments of the population, the central government and local authorities offer energy rebates, 25% or 50% of the cost depending on the specific case.

Threats, root causes: Constraints to the adoption of EFR

Failure to integrate environmental concerns in sectoral policies and plans

²⁴ at the exchange rate of 1 USD =12.3 MDL by the end of 2009

²⁵ Government Decision No. 1305, 28.11.2007

Moldova currently does not have a comprehensive and modern environmental policy, especially in relation to the requirements of European Union policies. Currently enacted environmental policy is incomplete and hinders progress in environmental management. In terms of overall national development strategy, the chapter on “Regional Development” of the National Development Strategy for 2008-2011 covers limited parts of environmental policy. Although various sub-sectoral policies related to environmental management have been adopted in Moldova, the level of integration of environmental concerns into sectoral policies remains very weak. Although the Institutional Development Plans (IDP) at the level of each sector ensure a strong link to the budget plan (MTEF) of each sector, and can provide a basis to identify priorities and specific performance targets, it should be noted that the IDP and other strategic planning exercises at central and sectoral levels remain weak and linkages between strategic planning and budget planning are virtually non-existent. Greening MTEF and budgeting procedures apparently has not been an issue so far in Moldova. Analytical assessments of the MoE's IDP recommended several areas of improvement, including better alignment with the goals and targets of the National Development Strategy and better reflection of the objectives of the public administration, regulatory and financial management reform²⁶.

The environmental sector's budget remains extremely limited and constitutes only 0.2% of the total national budget. It is even expected to drop further to 0.1% by 2011. Most of the budget funding covers staff costs only and does not allow the Ministry to fully implement its core responsibilities. In the other sectors, environmental concerns enjoy little attention. For example, the agriculture sector received 3.1% of the national budget in 2009, but environmental priorities are weakly developed in the sector's development plan. Similarly, in the energy sector, the development of energy efficiency and renewable energy sources despite recent improvements in the legislative framework remain weakly addressed.

Failure to allocate resources to environmental protection

The Law on Payment for Environmental Pollution serves as basis for establishing the National and Local Environmental Funds. In 2009, the National Environmental Funds' (NEF) revenues were around US\$15.6 mil., while the Local Environmental Funds' (LEF) revenues were around US\$ 685,000. The highest share of the NEF revenues, over 90%, comes from Payments for Goods causing Environmental Pollution. Revenues to the LEFs come mainly from payments for environmental pollution. With the exception of Payments for Goods causing Environmental Pollution, current environmental charges do not provide sufficient incentives to decrease pollution, nor are they able to provide sufficient funds for environmental investments in Moldova that would support the implementation of environmental policies. In addition, LEF revenues remain very small, not allowing for any significant investment.

The current pollution charge system is overly complicated and targets too many pollutants. The efficiency of applying fees and fines for pollution could probably be improved significantly by focusing on fewer pollutants and targeting major polluters. Similarly, there is a significant potential to improve spending strategies and the project life cycle of NEF and LEFs in line with good international practice in managing environmental funds. However, the management and governance of both the pollution charge system and the environmental funds represent an important area for improvement.

The analysis of other potential EFR instruments also demonstrated the need for integrating environmental concerns in current subsidy schemes. In the agriculture sector, although the level of subsidies were significant (with around of US\$ 50 million in 2010 and US\$ 50 million in 2009), environmental considerations are under-represented, especially in comparison to good international practice. In the energy sector, a full tax exemption policy is currently implemented, probably motivated by affordability concerns and political motivations. However, such policy fully counteracts all desirable efforts towards

²⁶ OECD/EAP, 2009. Capacity Development Agenda and the Environment Sector: The case of Moldova.

energy efficiency and shift to renewable energy sources.

Weak national cooperation and partnerships related to EFR

The OECD Environmental Action Plan (EAP) has initiated some support to MoE in the area of EFR, and developed a brief stocktaking paper addressing institutional capacity for environmental management in Moldova, and that was the basis for launching National Policy Dialogues on Environment and Development starting late 2009. The Dialogues were designed to allow MoE to foster necessary regulatory and public administration reforms in the environmental sector, and define measures for capacity development at all levels of the governance structure. The following topics were addressed by the first round of Dialogues: (i) adopting an evidence-based approach to decision-making; (ii) greening the economy: priority sectors and policy measures; (iii) environmental financing: challenges and opportunities; (iv) local-level development and the environment; (v) the private sector's role: environmental compliance and beyond.

Although EFR is considered as a priority area of intervention, current efforts remain insufficient to trigger a national process for effectively developing and integrating EFR instruments into sectoral policies and budgets. This is in part due to the absence of formal cooperation and partnership agreements to legitimately tie EFR to other key development sectors, both at the central and local levels.

There is currently no existing coordination mechanism for ensuring regular exchange and discussion of local, national and global environmental challenges and environmental priorities in an integrated manner, although limited consultations have been conducted between the environmental policy makers and other development sectors such as agriculture, energy and transport. At the local level, the decentralization process has not considered environmental issues as a priority to make it an integral part of the decentralization process mainly due to lack of consultation and coordination between local stakeholders and the concerned local representatives of the environmental agencies.

Moreover, information and communication gaps exist in Moldova and aggravate the current lack of coordination among concerned partners with regards to environmental priorities in general and EFR specifically. Lack of transparent reporting on the activities and funding of the NEF and LEFs has been flagged as a key aspect in the mismanagement of environmental subsidies and hence its importance in addressing environmental priorities. Up-to-date technical and financial data and information related to environmental priorities are either non-existent or scattered at sectoral level with limited linkages to environmental management policies.

Long-term solution and barriers to achieving the solution

Environmental Fiscal Reform (EFR) as a priority capacity development need: This project responds to the recommendations made in the NCSA Final Report and Action Plan, as well as those during project development for the adoption of environmental and financial instruments for strengthening environmental management within Moldova's global environmental commitments. In this respect, the project will develop capacities to support an EFR approach that focuses on eco-tax reform, shifting tax burdens, the development of green subsidies, and on reforming environmentally harmful subsidies. EFR can also be seen as one area of the green economy concept currently promoted by the Organization for Economic Cooperation and Development (OECD), UNEP and a number of other institutions, and which has been followed with great interest by the Moldovan Government.

A substantive review and analysis of economic and financial instruments and measures was undertaken during project development. The following instruments, typically used in an EFR, will be considered in greater detail to determine their applicability to Moldova and potential to meeting national and global environmental priorities under the three Rio Conventions.

- Eco-taxes and environmental charges levied, for example, on emissions (e.g., CO₂, SO₂), wastewater effluent, water abstraction, energy (e.g., fuels, sulfur in fuels), transportation (e.g., annual circulation, car registration/import/emissions, motor size), landfill and/or incineration, resources (e.g., raw materials, minerals), and environmentally harmful products (e.g., packaging material, tires, pesticides, batteries)
- Other fiscal and tax instruments such as import duty differentiation, value-added tax (VAT) rate differentiation, accelerated depreciation
- Emissions trading that can help ensure that a given overall emission target is met via allocation and trading of emission allowances
- Green subsidies, such as investment grants, soft loans, interest subsidies and equity finance for investment supporting the implementation of environmental policy, or, for catalyzing the uptake or mainstreaming of environmental technologies
- Reform of environmentally harmful subsidies, e.g., subsidies that were introduced for purposes other than environmental policy but which effectively counteract environmental policy or support unsound environmental practices
- Green public procurement that can catalyze the mainstreaming of environmentally sound technologies and foster environmentally sound and sustainable manufacturing and production sector by including sustainability criteria in purchasing decisions
- Measures aimed at “greening” the yearly or longer term public budgeting processes, e.g., by including sustainability criteria in budget formulation
- Measures aimed at greening commercial finance (e.g., financial products and services offered by commercial banks, insurance and leasing companies) may be included in EFR solutions

Stakeholder and baseline analysis

Several institutions are concerned with national environmental management in Moldova.

Ministry of Environment²⁷ (MoE)

The Ministry of Environment was established in 1998. The MoE is responsible for ensuring the development, promotion and implementation of state policy on environmental protection and rational use of natural resources. MoE basic functions is to ensure the integration of environmental requirements in the processes of economic and sector policy reform, management of the National Ecological Fund, and coordination of local environmental funds, etc. Several agencies are subordinated to the MoE, these include the Water Agency Moldova; Agency for Geology and Mineral Resources, the National Regulatory Agency of Nuclear and Radiological activities, State Hydro meteorological Service, Department of Fisheries, Institute of Ecology and Geography (dual subordination to the Academy of Sciences and the MoE).

The main agencies of MoE which play a key role in EFR are the following:

- State Ecological Inspectorate²⁸ (SEI). SEI’s structure is composed of a central office, four environmental agencies with Ecological Investigation Centres (Chisinau, Balti, Cahul, Gagauzia) and 31 environmental inspections in districts.
- Ecological Funds²⁹. Ecological funds were established in accordance with the Law on Environmental Protection³⁰ for the collection of additional resources to finance environmental protection and restoration of ecosystems. Local Ecological Funds (LEF) are subordinated to the

²⁷ Government Decision No. 847, 18.12.2009, www.mediu.gov.md/

²⁸ Government Decision No. 77, 30.01.2004, www.inseco.gov.md/

²⁹ Government Decision No. 988, 21.09.98

³⁰ Law No. 1515, 16.06.1993, Capitol III.

State Ecological Inspectorate and the National Ecological Fund (NEF) to Ministry of Environment, which coordinates the LEF activity.

Ministry of Agriculture and Food Industry (MAFI)³¹

The MAFI has the mission to ensure national policies promoting sustainable development of the country's agro industrial sector by increasing productivity and competitiveness of the sector and ensure food sufficiency and safety of the country in order to create prerequisites for permanent increase in welfare.

Several agencies are subordinated to MAFI, these include 10 educational institutions, 6 services, agencies, commissions and specialized inspectorates, including the General Inspectorate of Sanitary Surveillance and Control Seed, 37 District and municipal directions of surveillance and control seeds, 5 practical scientific institutions and the Agency for Payments and Intervention in Agriculture³². The APIA was founded in 2010, is an administrative body subordinated to the MAFI, responsible for managing and monitoring the distribution of financial resources intended to support agricultural producers, as well as quantitative and qualitative assessment of the impact caused by measures to support farmers by the state.

Moldsilva Agency³³

Moldsilva is an independent central administrative agency, under the Government, empowered to promote the state policy in the areas of forestry and hunting. The responsibilities of Moldsilva is to promote sustainable development of forestry and hunting sectors, protection, protection of forests and wildlife, maintaining and preserving biodiversity, conducting organizational reforms and economic developments in the areas managed. Several agencies are subordinated to Moldsilva and include 18 forestry companies, two enterprise forest-hunting, four Nature Reserves, and Forestry Research and Planning Institute.

Ministry of Finance³⁴

The MoF's mission is to develop and implement state policy on public finance (budget and fiscal). The MoF basic functions that contribute to the promotion of environmental management include the accumulation of government budget revenue, management and control of public finances for its intended use, compliance with the legal framework for budget and tax at European and international standards and practices. The main institutions subordinated to the MoF are the Main State Fiscal Inspectorate, Financial Control and Inspection Service, State Treasury, Customs Service, and the Public Procurement Agency.

Ministry of Economy (MoEc)³⁵

The MoEc is responsible for ensuring the development of a sustainable economy by optimizing the framework for entrepreneurial activity, creating an attractive investment environment and predictable international economic cooperation. The MoEc tasks that contribute to the promotion of environmental management is the participation in organizing the budget process, developing the draft state budget law, submitting proposals to amend the tax system. The main institutions subordinated to the MoEc include: Public Property Agency, the Chamber of Licensing, the State Inspectorate for Market Surveillance, Metrology and Consumer Protection, the Main State Inspectorate for Technical Supervision of dangerous industrial objects, and the State Energy Inspectorate.

National Energy Regulatory Agency (ANRE)³⁶

The ANRE is the regulatory body for the energy sector, and falls under to the Ministry of Economy. The ANRE has the following tasks: ensuring the transparency of prices and regulated tariffs for electricity and

³¹ Government Decision No. 793, 02.12.2009, www.maia.gov.md/

³² Government Decision No. 60, 04.02.2010

³³ Government Decision No.150, 02.03.2010

³⁴ Government Decision No.1265, 14.11.2008, www.mf.gov.md/

³⁵ Government Decision No.690, 13.11.2009, www.mec.gov.md/

³⁶ Government Decision No.1511, 31.12.2008, www.anre.md/

natural gas, development of methodologies for calculating, determining the adjustment, approval, and changes in prices and tariffs for energy services, etc. The ANRE is managed by the Board of Directors that consists of three directors. Board decisions are taken by majority vote, each director shall have one vote. Directors are appointed by the Government for a period of four years.

Ministry of Transport and Road Infrastructure (MTRI)³⁷

The MTRI's mission is to promote and implement state policy on transport and road infrastructure. Entities subordinated to the MTRI include the Public "National Road Transport Agency" and the public institution "Harbor Master Giurgiulesti.

Ministry of Regional Development and Construction (MRDC)

The MRDC develops and promotes the state policy in territory planning, architecture, urban planning, construction, construction materials production, housing and regional development. The MRDC develops, monitors, and evaluates the implementation of national and regional development strategies, managing the National Fund for Regional Development, and proposes funding mechanism for regional development. The Regional Development Agencies (RDA) are subordinated to the authorities in implementing regional development policy, created under the law³⁸, to implement regional development strategy and operational plan. The Regional Development Council (RDC) is established for the coordination and promotion of regional development policy at local level within each region. The RDC is responsible for the overall development of the region and approval of regional development strategy and action plan.

Local Public Administrations (LPAs)

The LPAs are established under the law³⁹, promote the general interests of the inhabitants of a territorial-administrative units. The LPAs are divided into two levels: first level - public authorities, which are established and operating in the village (commune), city (municipality), the second level - public authorities, which are established and operating in the district, Chisinau, in autonomous territorial unit with special legal status. The LPAs are based on the principles of local autonomy, decentralization of public services, eligibility and public consultation on local issues of interest. The LPAs are legal entities of public law and has a heritage distinct of the State and other administrative units.

Non Government Organizations

The State Register of non-commercial organizations⁴⁰ includes 991 organizations, of which 234 focus on sustainable development, 43 on the ecology and 44 business organizations on economy (respectively 23.6%, 4.3% and 4.4% of the total number of public associations, foundations and other non-commercial organizations registered).

The REC Moldova⁴¹ also has a database of more than 250 NGOs working in the field of environment in Republic of Moldova. Some NGOs are able to contribute to the preparation of policies, mechanisms and instruments to promote environmentally oriented behavior, participate in consultations on actions to reform fiscal management.

³⁷ Government Decision No.695, 18.11.2009, www.mtid.gov.md/

³⁸ Law No. 438, 28.12.2006 "On regional development in RM"

³⁹ Legea Parlamentului Republicii Moldova nr. 435 din 28.12.2006 "Privind descentralizarea administrativă"

⁴⁰ www.rson.justice.md/organizations

⁴¹ www.rec.md/

II. STRATEGY

Project rationale and policy conformity

The environmental sector's budget in Moldova is very limited and constitutes 0.2% of the total national budget and is likely to drop to 0.1% by 2011. Moreover, most of this funding covers staff costs and does not allow the MoE to implement its core activities nor to promote necessary policies. In the other sectors, environmental concerns are virtually non-existent, although the agriculture sector benefited from 3.1% of national budget in 2009, limited environmental issues figure on the sector's development plan. In addition, existing environmental pollution charges earmarked in the Law on Payment for Environmental Pollution that constitute the revenues of the National and Local Environmental Funds have mobilized 2009, around US\$ 15.6 million of revenues for the NEF's, and around US\$ 685,000 of revenues for the LEFs. These are rather limited resources that cannot allow for many important environmental investments in Moldova in order to support the implementation of national and local environmental policies that have demonstrable benefits for the global environment.

This project will initiate and pilot EFR instruments targeted to meeting Rio Convention objectives and ensure their integration within national plans and policies, especially in national taxation and regarding the decentralization process in Moldova. The project will establish a strong basis for the institutionalization of an EFR on national level with the support of concerned governmental institutions such as MoE, the Ministry of Finance, and other line Ministries through the establishment of the Moldovan EFR Commission that will initially be established as a project steering committee and eventually evolve to continue as Moldovan EFR Commission.

Country ownership: Country eligibility and country drivenness

The project is consistent with Moldova's various national commitments to the global environment management and to the plans responding to the multilateral agreements, in particular the National Capacity Self-Assessment Final Report and Action Plan (2005). The NCSA undertook an assessment of the challenges facing all three Rio Conventions, and the synergies to be realized through targeted cross-cutting capacity development actions. In so doing, the NCSA also took into account the priorities identified in other national reports to the Rio Conventions and the guidance emanating from their respective Conference of the Parties. The NCSA findings were further investigated and prioritized through the project and have accordingly provided Moldova with an increased potential for sustaining its global environment and improve its economic conditions. A top priority identified by the NCSA called for launching and implementing an economic fiscal reform for global environmental management. On this basis, the Government of Moldova decided to pursue environmental fiscal reform to meet national and global environmental commitments. The key findings of the NCSA highlighted the following constraints:

- a) Tax system: The payment of charges for environmental pollution is not specified within the Tax Code, last approved in 1997, while the current Law on Payment for Environmental Pollution was last approved in 1998.
- b) Natural resource assessment: The land resources market in the Republic of Moldova is underdeveloped, thus the market price does not reflect the real economic value of the land. Such an approach for price establishment will not allow the proper assessment of the land resources. Similarly, as the market of renewable resources is undeveloped, the prices cannot be considered opportune. In addition, for this type of resources, the market is not transparent.
- c) Environmental penalties and compensations: The level of the established fines for environmental pollution and degradation is very low and do not reflect the value of lost environmental goods and

services or lost economic potential. Moreover, the relatively low level of environmental fines is not sufficient to act as a deterrent to reduce environmental pollution, degradation, or over-exploitation.

- d) Financing for environment protection: State budgetary allocations for environmental protection are inadequate to finance the needed protection measures.

The NCSA identified the following priority capacity development objectives:

Economic instruments

- a) To generate revenues from activities which can impact the environment
- b) To provide the coherence between the provisions of the specific normative acts and documents of general character related to environment
- c) To assess the environment resources by elaborating the methodology and concept of assessment

Financial instruments

- a) To establish sources of environment funding and to provide the financial sustainability of the protected areas
- b) To generate sources for financing the measures of environment protection by strengthening the capacity of the National Ecological Fund
- c) To ensure financial support for an efficient implementation of the national priorities in the field of environment protection

Improvements in investment climate

- a) To strengthen the investment climate in order to draw up investments for the environment protection activities

Design principles and strategic considerations

As a result, this project's strategy was developed to contribute to meeting key strategic priorities under the National Action Plan to Combat Desertification (2000); the Second National Communication under the FCCC (2009); the Technology Needs Assessment and Development Priorities Report elaborated under the FCCC (2002); the Biodiversity Conservation Strategy and Action Plan (2002); the National Reports on Biological Diversity; the National Implementation Plan for the Stockholm Convention on Persistent Organic Pollutants (2004); the National Sound Management of Chemicals Capacity Assessment Report including SAICM and MEAs Capacity Assessment (2008). This project is also in line with UNDP's new territorial approach to developing countries' capacities to pursue climate-resilient development.

The project is also consistent with other national development plans and strategies, including the Millennium Development Goals for the Republic of Moldova for 2000-2015 and the National Development Strategy for 2008-2011 (NDS, 2007), among other sectoral policies and strategies related to environmental management and EFR.

The project builds upon the sector-specific medium-term planning process in Moldova, namely the institutional development plans (IDP) that support each Ministry in clarifying its functions and ensures a strong link to the Medium-Term Expenditure Framework (MTEF). The IDPs also provide a basis to identify priorities, including capacity building activities, and specific performance targets. The project objectives and outputs for adopting an EFR process in Moldova is closely anchored within Moldova's fiscal policy and tax administration for 2011- 2013.

Project Objective

This project sets out to build capacities for implementing environmental fiscal reforms (EFR) that will produce increased national and global environmental benefits through the adoption of selected subsidies, fees, fines, taxes and other appropriate fiscal instruments.

Expected Outcome

The project's reforms will focus on creating conditions, financial incentives and disincentives, and decreased opportunity costs to undertake actions that deliver global environmental outcomes. For example, the project will strengthen the use and enforcement of particular fee structures that increase the cost of using banned pesticides and herbicides in agricultural practices that pose a threat to endemic species and migratory birds. Piloting these environmental fiscal reforms at the local and regional level will also demonstrate their contribution to achieving low-emission and climate-resilient development strategies (LECRDS). For example, the elimination of key energy subsidies could accelerate the decommissioning of high greenhouse gas emitting technologies, coupled with new subsidies and agreements for the transfer of clean energy technologies at preferred concessional rates of financing. The expected outcome is that EFR will be adopted as an important element of Moldova's development policy, whereby improved fiscal and financial instruments and their use would strengthen regulatory and other approaches to environmentally sound and sustainable development, with a particular emphasis of meeting obligations under the three Rio Conventions.

The project will also contribute to and complement a broader national decentralization reform process, including policy planning at the national level, redesigning of competencies and responsibilities of local and sub-national governments and reforming local government revenue systems. In order to reach Government of Moldova's objective, the project will adopt a focused and comprehensive strategy composed of three main components. This strategy is consistent with the Territorial Approach to Climate Change, which takes a comprehensive approach yet targeted capacity development support at the sub-national level to meet climate change objectives. By developing targeted capacities to achieve financial sustainability of global environmental outcomes, this project will also complement the goal of the Moldova's Low Emissions Development Strategy (LEDS) and the National Adaptation Strategy, both of which are both currently under development with UNDP support.

Expected Outputs and Activities

Component 1: Reform of environmentally harmful subsidies, green subsidies, as well as environmental charges within the agricultural and energy sectors.

During the project development phase, an in-depth assessment of potential EFR instruments and measures that could realistically be adopted in Moldova was undertaken. Three main areas of intervention were identified that will be addressed in component 1 of the project:

- policy reform in the area of environmentally harmful subsidies, with a focus on the agricultural and energy sectors
- reform of existing environmental charges and facilitation of eco-technology investments
- improved regulations and operational management of the National and Local Ecological Funds (NEF/LEFs)

The main purpose of this project component is to support the initiation of an environmental fiscal reform process that will help Moldova better address global environmental challenges and problems, with clear and realistic targets. The project will ensure the political commitment to the economic and fiscal reforms and their institutional sustainability through in-depth consultation with all key stakeholders, closely linked

with the broader administrative and fiscal reform process. This will allow substantiating and refining the results from the assessment and design of a comprehensive EFR package. The EFR assessment will take into account existing policies and institutions, to ensure a match between the instruments proposed and their feasibility and cost-effectiveness. The assessment will also take into account relevant practice in the EU area.

The project will facilitate and inform the political process for the adoption of the agreed EFR and will support the institutionalization of this reform within national administrative reform. The project will also support and further strengthen environmental authorities as well as other concerned stakeholders.

This component will be closely coordinated with on-going OECD programmes related to EFR, specifically OECD's activities for developing a case study on environmentally-harmful subsidies in Moldova in the agriculture and energy sector, as part of its Work Programme that will be launched in 2012. This component will also complement OECD's activities for designing and costing of an environmental expenditure programme for the Ministry of Environment, possibly to be managed by the National Ecological Fund, and which will be launched in 2012.

Globally significant environmental benefits will be delivered as a result of environmental fiscal reforms that reduce or eliminate environmentally harmful subsidies and optimizes existing environmental subsidies and environmental charges as instruments that will substantially reduce anthropogenic pressures on endangered endemic wildlife, desertification, drought and land degradation. The project will also help improve measures to combat the impacts of climate change as well as create an environment that catalyzes climate change mitigation measures in a way to reduce emissions of GHG.

Sub-component 1.1: Policy reform in the area of environmentally harmful subsidies

Currently, agricultural subsidies and fiscal incentives for energy products are without adequate environmental or sustainability measures, and with no consideration to the objectives of the CBD, CCD, and FCCC. In Moldova, there have not been coordinated efforts in considering international experience in incorporating environmental and Rio Conventions-related criteria into policies enabling subsidies and fiscal incentives in the agriculture and energy sectors. Consequently, current subsidies and pricing practice could be improved, strengthening their contribution to meeting and sustaining the goals of the Rio Conventions, building on experiences from other countries, in particular from within the European Union and the on-going GEF project in Kyrgyzstan. Examples include green agriculture subsidies that have both positive economic and environmental benefits such as increased employment, a reduction of harmful chemicals and compounds, higher land and soil productivity, and more rational energy use and pricing in line with FCCC targets.

Policy reform in the area of environmentally harmful subsidies will be implemented as follows:

- 1) Reform of agricultural subsidies:
 - a) Identify options for greening and fundamentally reforming current agricultural subsidies, focusing on aspects such as effective and maximized contribution to targets and goals of CBD and CCD;
 - b) Development of new markets for agricultural products and realizing export potentials for such products, and the realization of positive employment effects. This will be done taking especially into account relevant experience in the EU area;
 - c) Identify which potential options are feasible and most desirable for implementation; and
 - d) Elaborate selected reform proposals in detail and elaborate concrete implementation measures, including relevant legislation and implementation guidelines.
- 2) Reform of energy subsidies:
 - a) Determine the economic, fiscal, social, and environmental effects of applying the maximum rates of VAT, excise taxes, custom duties and other fiscal instruments on different energy products,

assuming different economic growth scenarios, different taxation shift scenarios, as well as other relevant variables;

- b) Identify which potential options are feasible and most desirable for implementation, focusing on issues such as effective and maximized contribution to targets and goals of FCCC, the development of new markets and cleaner technologies in the energy sector, the protection of vulnerable groups of society. This will be done taking especially into account relevant experience in the EU area; and
- c) Elaborate selected reform proposals in detail and elaborate concrete implementation measures, including relevant legislation and implementation guidelines,

Sub-Component 1.2: Reform of environmental charges and facilitation of eco-technology investments

The reform of environmental charges will be aimed at maximizing effective contributions of these instruments to the targets and goals of the CBD, CCD, and FCCC, taking into account good international practice and experience in this field. For example, existing air pollution charges would better contribute to achieving Moldova's FCCC commitments by introducing charging methodologies and practice that effectively reflect climate change related external costs. Another example would be to develop new charges that directly contribute to fulfilling Moldova's commitments under CBD and CCD, focusing for example on the agriculture sector (e.g., pricing mechanisms aimed at improving soil quality or pricing mechanisms supporting biodiversity and nature conservation). In the area of eco-technology facilitation, the reform would be focused on identifying and establishing financing mechanisms effectively supporting the mainstreaming of tested eco-technologies that effectively contribute to fulfill Moldova's commitments under the CBD, CCD, and FCCC. Actual eco-technologies would be identified during project implementation but could include, for example, technologies related to using certain types of renewable energy sources, such as biomass.

Policy reform in the area of environmental charges and related green subsidies will be implemented as follows:

- 1) Reform of environmental charges:
 - a) Develop a detailed reform concept for Moldova's pollution charge system based on analyzing environmental, economic and fiscal effects of current charges, good international practice in implementing such charges (for example in Czech Republic, Poland, Western Europe), creating effective links to Moldova's commitments under CBD, CCD, and FCCC.
 - b) Review other existing –environmental charges, taking into account good international practice in implementing such instruments, and prepare detailed reform concepts to further improve the implementation of these charges, including in particular strengthened links to Moldova's commitments under CBD, CCD, and FCCC.
 - c) Elaborate concepts and draft legislation for selected new environmental charges, related to areas covered under CBD, CCD, and FCCC.
 - d) Facilitate and inform the political process to implement the proposed reform.
- 2) Facilitation of increased eco-technology investments:
 - a) Prepare a market analysis of current (financing) markets for several groups and types of eco-technology solutions that have a high potential to be mainstreamed in Moldova, focusing on eco-technologies related to issues covered by CBD, CCD, and FCCC.
 - b) For selected types of eco-technology solutions identified, develop detailed spending strategies, project cycle management procedures, as well as related procurement procedures that can be adopted through a suitable financing mechanism, identified or enabled by the project.

Sub-Component 1.3: Improved regulations and operational management of the National and Local Ecological Funds (NEF/LEFs).

The NEF and LEFs currently represent the most important environmental subsidy schemes in Moldova. The project will contribute to further improving the management and operational procedures of these funds, focusing on facilitating investments related to Moldova's commitments under the CBD, CCD, and FCCC. At present, commitments related to the Rio Conventions play a very minor role in decision-making on how the resources of the NEF and LEFs are being allocated.

Improving management and operational procedures of NEF and LEFs will be based on the application of good international practice focusing on the following areas:

- a) Develop transparent and detailed short-term and long-term spending strategies, based on national policy priorities, relevant EU environmental policy, as well as priorities established by the Rio Conventions,
- b) Develop detailed procedures for Project Cycle Management (PCM) for 2-3 priority spending areas related to Rio Conventions, including procedures such as project identification (in particular via open, public tendering), project appraisal, project selection and approval, contracting, project implementation, and project monitoring and evaluation.
- c) Develop recommendations to further strengthen current governance structures
- d) Develop recommendations to strengthen information management needs, supervision and reporting policies and practices of the NEF and LEFs, including reporting related to their effective contributions to Moldova's commitments under the Rio Conventions.

Component 2: Capacity development for EFR to build consensus among concerned stakeholders.

The extensive consultations during the development of this project have shown a high level of interest by all stakeholders and sometimes also a lack of understanding of certain potential EFR approaches in Moldova. This component of the project will support an extensive programme of training, information dissemination and advocacy to ensure adherence and involvement of all concerned stakeholders in the EFR process, its contribution to meeting obligations under the Rio Conventions, and reform implementation. Through this component, necessary information and public awareness campaigns will be developed based on the tailored needs of the central administration as well as sub-national authorities, private sector and NGOs. The extensive consultations undertaken during project development and during project implementation under this component could take place in tandem with the broad multi-stakeholder consultative process of LECRDS development.

This component will ensure visibility of national and global environmental priorities in Moldova and will support the establishment of a regular and substantive multi-stakeholders consultative process. Such a mechanism is intended to catalyze policy processes that can engage key development partners in understanding and cooperating for fulfilling Moldova's national and global environmental priorities.

By providing clear and necessary training to concerned stakeholders, practitioners, and decision makers regarding the technical and policy options needed for greening and reforming environmental subsidies and charges, analysis of financing markets, and costing exercises to meet global environmental objectives, it is possible to mobilize and engage policy-makers in responding to national and global environmental priorities through the implementation of an EFR process in Moldova. Such an EFR process thus responds to Moldova's commitments to both national and global environmental goals.

A training needs assessment will be conducted to identify most useful training programmes that can be implemented through the project. The training programme should cover all the instruments and measures included in the EFR process as well as methodological guidance recommended as part of the NCSA as well the priority EFR instruments identified in during project development. Training programmes should also cover topics such as the development of technical regulations and by-laws and mechanisms needed for implementation of new regulations.

A comprehensive information campaign focused on all concerned stakeholders will be designed and implemented to disseminate information on EFR to meet national and global environmental priorities. State-of-the-art communication tools including a dedicated website will be elaborated to optimize information access and provision. Dedicated information management will inform policy reform processes and will help parties affected by the reform in better preparing for and adapting to proposed/enacted changes.

Sub-Component 2.1: Capacity building for EFR

- 1) A training needs assessment is conducted
- 2) Training implemented in line with national and local needs. Particular attention will be given to how the institutionalization of EFR measures will make an impact to meeting Rio Conventions objectives. These would include but should not be restricted to the following:
 - a) Training to farmers and farmer associations on the reformed subsidy schemes, aimed at facilitating subsidy implementation
 - b) Study tour regarding the implementation and actual environmental/economic effects of emission and effluent charges in selected foreign countries (e.g., Poland, Czech Republic or certain Western European countries)
 - c) Training of the staff of the targeted financing institutions/mechanisms in introducing, managing and marketing new eco-technologies financing schemes
 - d) Training to NEF/LEF staff on new management and operational procedures, as well as governance procedures

Sub-Component 2.2: Communication and awareness

A comprehensive information campaign will be designed and implemented based on national and local needs while at the same time meeting global environmental priorities.

The information campaign would include, among others, an interactive and multilingual website on EFR including relevant legislation and policy; reports and news from the GEF/UNDP EFR project; an online library including EFR related reports from Moldova and abroad; information on the work of the Moldovan EFR Commission; semi-annual e-newsletters; and additional content as defined and agreed during project implementation. This will also include the development of at least two publications capturing the project's results in the form of lessons learned and case studies, which will be developed in order to disseminate to the concerned national stakeholders the outcomes and the key results of this project.

Sub-Component 2.3: A political dialogue is established

With the support of the project, a Moldovan EFR Commission will be established and will be meeting on a regular basis to provide guidance and political support to the EFR process and to develop a strategic platform for the adoption of an EFR policy process that would be sustained after the lifetime of the project. The appropriate institutional mandate and functions will be adopted for this Commission to allow the continuation of its work. A series of workshops and policy dialogues with international participation to discuss the various reform proposals and related relevant international experience will be implemented to support implementation of reform proposals elaborated under components 1 and 3. This sub-component will be organized and implemented in tandem with consultative processes as part of the setting up of coordination structures for the finalization and implementation of the LEDS and National Adaptation Strategy.

Component 3: Integration of EFR in local and central planning processes

This component will allow a step-wise implementation of the EFR process in local and central budget planning and will also allow testing of existing and new EFR instruments and build up experience and confidence. Priority EFR instruments will be adopted and implemented as early as possible during the life of the project to identify unexpected and unintended consequences of the reforms, calling for revisions in approaches and objectives. The component will pilot selected identified EFR instruments at the sub-national level in support of the government's decentralization agenda and will ensure that fiscal reforms are meeting national and global environmental objectives.

The main objective of this component is to support the greening of Moldova's decentralization process, specifically its Performance Based Budgeting system and the strengthening of the MoE budget planning process and its MTEF to ensure that the financial planning at local and national levels are addressing local, national as well as global environmental priorities. This component will lead to improving budget allocations and investment finance for biodiversity, climate change and land degradation as part of its strategy and will capture modalities for sustaining such financing.

The project will aim at elaborating and implementing EFR instruments at the sub-national level (district and municipality level) as part of the Government of Moldova's on-going decentralization process and policy to strengthen sub-national authorities, by closely coordinating with the UNDP and UNWOMEN Joint Integrated Local Development Programme (JILDP). Given the JILDP's approach, consultations will take place to explore potential synergies with the territorial approach to LECRDS during project implementation.

EFR will be integrated as part of the "Financial Decentralization Working Group" of the JILDP that has been established to improve the local public finance system that would guarantee the financial autonomy of LPAs, maintaining financial discipline and increasing technical and financial efficiency. The Parity Commission on Decentralization, including public authorities, civil society and associations of LPAs has been established and in its Working Groups the preliminary consultations on the content of the strategy have been conducted. After the agreement on the draft Strategy in the Parity Commission it will be submitted to the Government for approval.

Moreover, the project will closely cooperate and integrate EFR approaches within the JILDP activities for piloting Performance Based Budgeting in five towns in Moldova. In order to meet its objective, the JILDP is developing human, institutional and financial management capacities in the selected towns, designing appropriate systems and procedures and adopting it to local governments' plans, budgets, implementation, monitoring and evaluation activities in a participatory manner, based on the following steps:

- 1) Performance based budgeting system implementation: assessment and concept elaboration
- 2) Capacity development of local public authorities and other local stakeholders in PBB
- 3) Support local authorities in implementing the performance based budgeting system in 5 pilot towns

This project component will also strengthen the institutional basis of the economic and fiscal reforms by integrating reform outcomes in the budget planning process. This will be done by establishing decision-making modalities for linking strategic planning to budget planning based on national plans and programmes within the context of "greening the budget and MTEF planning". The available financial resources and economic revenues that will be identified through the project will allow the environmental institutions and other concerned administrations at central and local levels to strategically respond to priority national and global environmental management problems. More specifically, MoE and the targeted local public administrations (LPA) that are involved in the reform process will be supported

through the project to establish the appropriate strategic and budget plans that respond to national and global environmental management priorities and needs.

Activities within this component will be planned and implemented in a way that will be coordinated with and complement OECD's activities related to MTEF training for environmental authorities in Moldova in 2011.

Sub-Component 3.1: EFR instruments integrated in the decentralization process

The project will complement the policy, institutional, as well as individual capacity development activities of the JILDLP to plan and implement local programmes and services in line with local needs by piloting EFR in selected LPAs. In particular, this sub-component will emphasize the inherent linkage between the application of EFR at the local territorial level and expected global environmental outcomes as called for under the three Rio Conventions.

This will be done through the following:

- a) Establishment of a sub-group under the working Group on Financial Decentralization for the identification of sectoral strategies for collection and distribution of taxes at decentralized level to meet global environmental objectives
- b) Identification of global environmental priorities within the local development strategies such as natural disaster management and green insurance, as well as strategies consistent with LECRDS
- c) Integrating global and local environmental concerns in the local planning process by identifying and implementing reform in potential fiscal instruments at the local level such as natural resources extraction, land tax, and other local taxes and fees. These activities will be closely linked to the process of performance based budgeting underway in the five pilot towns in Moldova within the JILDLP

Sub-Component 3.2: EFR instruments integrated into governmental budget and MTEF process

This sub-component will establish modalities for linking strategic planning (and related costing and financing strategies) to budget planning based on national plans and programmes and good international practice in this area. This will be achieved by:

- a) Training on green budgeting and planning in line with OECD guidelines⁴² and good practices to integrate global environmental priorities in Moldova's Medium-Term Expenditure Framework (MTEF). Subsequent adoption of the training by supporting the ministries in developing and implementing budgets and MTEF plans in line with good international practice in this area. Training will also be structured in line with Moldova's *Medium Term Objectives of Fiscal Policy*. Specific recommendations on EFR that could be taken up in this policy and included in future fiscal policy documents will be elaborated.
- b) Building upon capacities developed in components 1 and 2, as well as 3.1 and 3.2.1, support the MoE in elaborating their budgets and MTEF submissions and evaluate the extent to which the MoE's budgeting process uses EFRs to better meet targeted environmental objectives, with particular emphasis on meeting Rio Convention objectives
- c) Building upon EFR best practices, update existing assessments and financing strategies within the framework of the MTEF to implement the Rio Conventions, including the identification of realistic sources of funds through EFRs

⁴² OECD EAP Task Force, 2010. Mainstreaming environmental programmes into public budgets: a regional survey.

Strategic fit with UNDP Country Programme

This proposal has been developed with guidance from the UNDAF and CPAP (for the years 2007-2011 – recently extended to 2012) and will contribute to UNDAF Outcome 3 “by 2011, vulnerable groups in poor rural and urban areas take advantage of sustainable socio-economic development opportunities through adequate regional and local policies implemented by Local Public Authorities (LPAs) and partners” and specifically to Country Programme Outcome 3.2 (new businesses and jobs created in targeted, poor rural and urban areas) and Outcome 3.3 (empowered communities and CSOs participate in local development planning, implementation and monitoring), as well as to UNDAF Outcome 1 “by 2011, public institutions with the support of Civil Society Organizations are better able to ensure good governance, rule of law and equal access to justice and promotion of human rights” and specifically to Country Programme Outcome 1.5 (improved readiness to prevent and mitigate natural and man-made disasters and crisis). The Country Office in Moldova currently manages Energy and Environment portfolio with a total value of over US\$ 20 million (current annual delivery of US\$4 million), the overall country programme annual delivery amounting to US\$ 21 million. It offers the following dedicated staff capacity for project implementation support: (i) Environment Analyst who oversees the implementation on a daily basis, including quality assurance and monitoring and evaluation; (ii) Environment Associate – assists with budget revisions, quarterly reporting, auditing and recruitment procedures; (iii) finance Analyst - reviews the budgets and monitors project delivery status; (iv) Head of Operations Unit - assures compliance with overall fiduciary standards of UNDP; (v) UNDP CO Resident Representative and Deputy Resident Representative who liaise with the government and negotiate key policy and legislative changes proposed by the project.

Coordination with other related initiatives

The project will ensure the on-going coordination and exchange of experiences and information with related GEF initiatives in Moldova, as described in more detail in Annex E.

In particular, the project will closely coordinate its strategy and activities with the UNDP and UNWOMEN Joint Integrated Local Development Programme (JILDLP) that will be implemented during the lifetime of the project, complementing the programme's efforts by covering the environment sector (which was not initially envisaged as a priority area of the programme) and ensuring that EFR instruments and measures are appropriately considered during the scoping, elaboration and implementation of the national decentralization reform strategy. Close synergies between the two initiatives will optimize national efforts and support coordination among key players in both projects.

Coordination will also be established with the UNDP/GEF project on Improving coverage and management effectiveness of the Protected Area System in Moldova, by improving budget allocations and investment finance for biodiversity in general and protected areas in specific. The project will also ensure as part of its strategy to establish modalities for sustaining such financing.

The project will also complement OECD's Work Programme of 2011 and 2012 especially with regards to the planned MoE/OECD's activities related to strengthening the institutional basis of the economic and fiscal reforms and integrating the EFR process outcomes in the budget planning process. This will be done by strengthening the decision-making and technical modalities for “greening the budget and MTEF planning” by linking strategic planning to budget planning based on national and global environmental priorities.

A new UNDP initiative is the Territorial Approach to Climate Change, through which technical assistance

is provided to strengthen countries' capacities to pursue a path of climate resilient development. Building on countries' existing national priorities and strategies, the rationale of the territorial approach is to take a comprehensive and holistic approach to environment and development, while targeting capacity building support at the national and sub-national level. In addition to strengthening the enabling environment through the broad-based consultative processes and sustainable political commitment, an outcome of this initiative is the development of a set of low emission and climate resilient development strategies (LECRDS) and accompanying roadmap towards their implementation. The NCSA was a similar broad-based consultative process that targeted consensus building to address the underlying root causes of not achieving or sustaining global environmental outcomes. The NCSA and LECRDS process come together by reifying the contribution of the NCSA cross-cutting capacity development recommendations to Moldova's path to environmentally sound and sustainable development, which is more resistant to the shocks experienced as a result of the impacts of climate change.

The project has also taken into account the OECD/EAP Task Force Secretariat for supporting institutional capacity for environmental management in Moldova, which conducted the assessment of the MoE's IDP and will follow up its support through the National Policy Dialogues and targeted capacity building measures. The project will also integrate the outcomes of the OECD/EAP Task Force Secretariat workshop on Environmental Cooperation in the Context of Green Growth that took place in October 2009 and which used the OECD's guidelines on EFR and available training materials for supporting Moldova in conducting its MTEF.

Moldova is also part of the Regional Environmental Programme Implementation Network (REPIN) of OECD/EAP that facilitates dialogue and cooperation between environment ministry officials and environmental inspectorates. This is helping to bring about a better alignment of environmental policy development and implementation. The project experience will provide lessons learned and case studies related to EFR at the level of the REPIN network. More specifically, the project will coordinate with future REPIN meetings that are primarily focused on issues related to environmental financing and green growth in the region and on mainstreaming environmental programmes into public budgets.

Key indicators, risks and assumptions

Risk	Risk rating	Risk mitigation strategy
Governmental support to adopt EFR decreases with technical and political challenges	Low	The project will facilitate a process that allows experts and politicians to negotiate and agree on the appropriate EFR instruments to meet project objectives and goals. The prioritization process will be based on national and global priorities as well as economic feasibility and will ensure ownership of the EFR instruments agreed upon. The institutionalization of the EFR instruments within the strategic plans at national level will also allow strong and long-term commitment to the proposed measures.
Limited specialized skills required in the field of public finance management in Moldova for EFR	Low	The project strategy aims at mobilizing highly competent international expertise on a short-term but regular manner, in order to work in parallel with national expertise that will be called upon extensively and on a longer-term basis. This will allow transfer of expertise and know-how and strengthen the institutional sustainability EFR instruments to meet Rio Convention objectives.
Multiple levels of	Low	Moldovan EFR Commission allows experts and decision-

bureaucracy involved in the implementation of fiscal measures.		makers to agree on the priority and optimal set of fiscal measures. The communication and training programme will facilitate full awareness and understanding among key agencies on their roles, responsibilities, and accountabilities with respect to the EFR process.
The potential to ascertain full transparency in implementing fiscal measures is not accepted by all concerned parties.	Medium	The project will give careful attention to apply the principles of adaptive collaborative management so as to ensure that all concerned stakeholders (including the MoE, MAFI, MoF, ANRE, State Chancellery, regional and local public administrations, private sector and other non-state actors) adopt and enforce EFR recommendations as part of the Environment Law, Tax Code and other national legislation and policies. Monitoring and reporting activities undertaken by the project will be mainstreamed within the existing structures of the concerned national institutions, ensuring high monitoring standards. The wide dissemination of results will further promote transparency and ensure commitment to the EFR process.
Despite the interest, the local authorities where the EFR instruments are piloted lose their interest in the project	Low	Securing the political commitment of local authorities is central to the success of EFR, and special attention will be given to ensuring that their concerns and priorities are fully addressed. EFR and the improved fiscal measures will be undertaken in a way that provides substantive financial and environmental gains to local authorities. The integration of the EFR within the decentralization processes through a multi-stakeholders consultative process should reduce resistance to proposed EFR measures.

Financial modality

The co-financing amounts identified below are confirmed in the respective co-financing letters that are appended to the present project document.

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Amount (US\$)
Government of Moldova	Ministry of Environment	Grant	250,000
GEF Agency	UNDP Moldova	In-kind	50,000
GEF Agency	UNDP Moldova	Grant	110,000
Multilateral donors	OECD	In-kind	200,000
Total Co-financing			610,000

Cost- Effectiveness

By developing capacities for EFR, the Government of Moldova will be able to mobilize additional financing for activities that meet global priorities and obligations, catalyze environmentally sound and sustainable development, and strengthen Moldova's national strategies to yield low emission and climate resilient development. In addition, the project would contribute significantly to internalizing pricing strategies in a number of key areas related to the Rio Conventions. This project thus represents a crucial cornerstone of Moldova's capacity to meet global environmental objectives, and an important contribution of the GEF.

Notwithstanding, this project has significant implications for meeting national and global development priorities, which is why the Government of Moldova and other development partners have committed to co-financing the project. The GEF contribution is also critical to ensuring that the best available international expertise, experience and know-how are accessed, since EFR is still in a relatively early stage of application. The project will bring together a wide range of international expertise from within the region and overseas to allow the MoE to establish new management procedures of its existing fiscal mechanisms and instruments, and to mobilize public sector financial contributions to issues of both national and global environmental significance. Co-financing will complement the GEF grant to complement the on-going national decentralization reform process by integrating environmental, economic, and fiscal instruments in sub-national decision-making processes. Co-financing will also establish a process for aligning the national environmental programmes and action plans with the national budget allocations and financial plans. The GEF grant and co-financing will facilitate a dialogue with donors and the private sector in order to increase and optimize investments that contribute to meeting Moldova's global environmental objectives and commitments.

Several key aspects were taken into consideration in the development and allocation of resources within the project components in order to promote its cost-effectiveness.

First, the project's strategy of identifying, reforming and implementing economic and financial instruments for national and global environmental management is the most cost-effective means of achieving policy results. This is because properly designed economic and financial incentives lead to dynamic incentives to reduce pollution or natural resource use, thus a more cost effective allocation of resources. This is widely promoted by the OECD and other international institutions in various publications and appears in modern theories and applications of internalization of environmental externalities to help correct market failures and increase cost efficiency of environmental policy.

In the area of environmentally harmful subsidies, cost efficiency gains can be realized by simply redirecting subsidy flows from unsustainable practices to more sustainable practices, i.e., by removing subsidized activities that lead to increased external costs. Often such reforms can be associated with large savings, for example, if polluting activities and practices are no longer subsidized, there is no need to invest in pollution abatement. The project will attempt to realize such gains in the agriculture and energy sectors as those most relevant to meeting Moldova's commitments under the CBD, CCD, and FCCC.

The project will systematically look at and build upon international best practice in implementing EFR policies, in particular cost-effectiveness gains realized through EFR, and determine their applicability to Moldova. Consequently, this project will help Moldova to further align and strengthen its environmental policies with international standards, in particular with relevant provisions under the Rio Conventions. This strategy is very relevant given Moldova's current status as one of the poorest nations in Europe and where financing for the environment sector is extremely scarce.

Through the reform and adoption of appropriate fiscal instruments (in particular earmarked charges, green

subsidies and the greening of public budgeting processes), Moldova will be able to raise additional revenues that can be used for catalyzing the implementation of environmental policies, in particular policies related to Moldova's commitments under the Rio Conventions.

The GEF grant thus leverages important contributions from the Government of Moldova, as well as private sources to deliver both national and global environmental benefits. The project development grant provided by the GEF, complemented by government co-financing and UNDP, also allowed for the careful preparation of this project to ensure its strategic and cost-effective design and implementation plan.

The intervention is also extremely timely, as broader and deeper administrative and fiscal reforms are being advanced by the new leadership in the country, including the revision of the Law for Environment and the decentralization process. The project's cost-effectiveness is thus incremental in adding environment to the overall programme of fiscal reform in Moldova.

A clear co-financing and coordination strategy with other on-going initiatives related to EFR, including those of UNDP, the Government of Moldova and OECD will ensure a multiplier effect of project outcomes through the integration of EFR approaches, methods and innovations in other sectoral policies and plans and the potential for the results to be replicated and applied to other key sectors. The total project cost of under US\$ 1 million is expected to generate far greater returns in terms of national and global environmental benefits. By integrating the EFR process within broader fiscal reform, the project will thus create important synergies and cost-savings towards meeting global environmental objectives.

Sustainability

Environmental fiscal reform falls within the field of public finance management, requiring very specialized skills. Highly trained expertise is called for to develop fiscal measures that reflect and respond to socio-economic and political realities. In order for the project to produce the desired outcomes, not only in the short-term, but also long-term, the project must institutionalize availability and access to this expertise. To this end, project activities centre on first developing fiscal measures that will be applied and tested in two particular sectors and a particular sub-region in Moldova. These will be supported by, among others, training on the interpretation of fiscal policy and measures, calculation of fines, improving access to data to calculate fines, improved collection of fines, and improved transparency of finance management.

Specialized expertise that meets internationally accepted standards will be secured to ensure quality choices of fiscal measures, and designed in such a way as to be adaptable to changing socio-economic and political realities. This expertise will be identified and invited with the assistance of organizations such as the OECD, EBRD and IMF. Building upon the experiences available from other countries, especially those in the region such as Kyrgyzstan, which is currently implementing a similar cross-cutting capacity development (CCCD) project, the project will seek to invite key individuals and officials to share their experiences in environmental fiscal reform.

The sustainability of these capacities is dependent on the extent to which they have been institutionalized within key organizations, in particular the Ministry of Finance, MoE, ANRE, MoEc, and MAFI, as well as the local government and administrative units. Given the multiple levels of bureaucracy involved in the implementation of fiscal measures for environmental protection, there is a greater opportunity for miscommunication among key decision-makers along the vertical hierarchy. This could lead to opportunities for corruption, which currently exist as a result of uneven levels of information among stakeholders. To minimize this risk, the project will improve monitoring activities from one or more independent mechanisms, to be determined and agreed during project implementation.

To further ensure sustainability, the project will develop a user-friendly manuals and guidelines, e.g. on how to calculate environmental fines, and provide training to a large complement of staff that currently is responsible for this task. This training will also be provided to the representatives of the private sector, to improve their awareness and understanding of the application of new environmental fiscal measures. Turnover is an important risk to sustainability that is minimized by training that serves to institutionalize knowledge for the standard calculation of fines. The assumption being is that the more people that know how to calculate fines, the more likely that there will be staff available to undertake this task. Training a large complement of staff will help promote sustainability, because part of the problem is that few people understand how to calculate fines. The training manual and its wide dissemination will also bode well for sustainability if it ends up being a well-used reference for assessing and calculating fines.

There is a risk that the long-term commitment to the environmental fiscal reform may wane, but this is relatively low given that a vital component of the project is to strengthen the institutional linkage between fiscal reform for environmental management within the broader energy and agricultural reforms and under the framework of the National Development Strategy.

The relative limited resources of this MSP does not allow for full implementation of EFR, but rather, as stated above, serves to facilitate the government's long-term commitment to environmental fiscal reform. The aim of this project is to initiate EFR and to develop the supporting policy/programmatic framework, which in turn is strengthened by the (expected) successes of the project, primarily the strengthening of national capacities.

Socio-economic benefits, including gender issues

Important socio-economic benefits are expected to be delivered through this project by improving the financial sustainability of agricultural and economic activity along more sustainable levels. This includes strengthening and enforcing incentives for the application of the kind of agrarian reform that reduces anthropogenic pressure on the environment while at the same time addresses the root causes of such pressures, namely the direction of financial revenues to improving sustainable alternative livelihoods. Another example is the enforcement of stronger disincentives, fees and fines that place a greater cost and burden on activities that disproportionately affect the urban poor, women and children. The fiscal and associated institutional reforms will take a holistic approach to ensuring that national socio-economic benefits, including addressing gender priorities are fully addressed as these will play a critical role in the achievement and sustainability of global environmental benefits. The details of these reforms must be based on a thorough and in-depth expert analysis and broad-based consultation and negotiation during project implementation.

III. PROJECT RESULTS AND RESOURCE FRAMEWORK:

Intended Outcome as stated in the Country Programme Results and Resource Framework:				
UNDAF Outcome 1: By 2011, public institutions with the support of Civil Society Organizations are better able to ensure good governance, rule of law and equal access to justice and promotion of human rights.				
Expected CP Outcome(s): Management of environment and natural resources is improved in compliance with international standards				
Expected CPAP Output(s):				
<ul style="list-style-type: none"> • CPAP Output 1.4.1: Environmental monitoring and information systems and tools are updated and effectively used • CPAP Output 1.4.3: Civil society is better able to participate in environmental policy formulation and monitoring 				
Applicable Key Result Area (from 2008-11 Strategic Plan): Mobilising Environmental Financing, Mainstreaming Environment and Energy				
Partnership Strategy				
<p>A participatory approach will be used in the implementation of this project. Experts from relevant line ministries (Ministry of Environment, Ministry of Finance, Ministry of Agriculture, Ministry of Construction and Regional Development) and departments, local communities, private companies, the academia, NGOs, and key actors from the donor community will be involved at both the inception and implementation phases. Such an approach will provide the basis for reaching consensus amongst all stakeholders and mobilizing all social efforts and available resources, to foster the proper implementation of actions envisaged and hence the mitigation of development gaps. Special attention will be given to community mobilization and ownership.</p> <p>Close cooperation between the UNDP and OECD and continuous coordination through the Moldovan EFR Commission (EFRC) which will be established as the project's coordination and decision-making body led by the Government, will maximize synergies, ensure coordination, as well as reduce transaction costs and avoid duplication. UNDP will ensure that all necessary arrangements for coordination are made in a timely manner to ensure prompt and effective implementation. This will include a clear division of responsibilities among partners for the implementation of the activities.</p> <p>To provide overall direction and take decisions on specific aspects of project implementation EFRC will be created, led by the Government and involving senior representatives of all beneficiaries of the project.</p> <p>At the community level, the project's key partners are the representatives of local public authorities in the selected regions as well as the benefiting institutions and entrepreneurs. Other important stakeholders include the District Councils, the Regional Development Agencies and Regional Development Council.</p>				
Project title and ID (ATLAS Award ID): Strengthening capacities to undertake environmental fiscal reform to meet national and global environmental priorities in Moldova (61741)				
INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
<p>Output 1: Reform of environmentally harmful subsidies, green subsidies as well as environmental charges</p> <p>Baseline: Limited experience in EFR but not system in place</p> <p>Indicators: Regulatory and operational guidelines</p>	<p>Targets (Year 1)</p> <ul style="list-style-type: none"> - Identification of tax and duties on energy and agriculture products - Market analysis for eco-technology solutions - Procedures for PCM for NEF/LEFs spending areas <p>Targets (Year 2)</p> <ul style="list-style-type: none"> - Identification of options for greening and reforming 	<ol style="list-style-type: none"> 1. Introduce policy reform in the area of environmentally harmful subsidies 2. Reform of environmental charges and facilitation of eco-technology investments 3. Improved regulations and operational management of the National and Local Ecological Funds (NEF/LEFs) 	<p><i>UNDP</i></p> <p><i>Ministries of Finance, Environment, Agriculture and Energy</i></p> <p><i>OECD</i></p>	<p><i>Technical assistance</i></p> <p><i>\$157,500</i></p>

<p>adopted by the EFR commission for 5 EFR instruments addressed by the project:</p> <ol style="list-style-type: none"> 1. agricultural subsidies, 2. energy subsidies, 3. environmental charges; 4. green/environmental subsidies through NEF/LEF; 5. new eco-technology subsidies 	<p>subsidies and charges</p> <ul style="list-style-type: none"> - Short and long-term spending strategy of NEF/LEFs <p>Targets (Year 3)</p> <p>Recommendations for legislative texts and technical guidelines elaborated and submitted for and adoption</p>			
<p>Output 2: Capacity development to engage and build consensus among all stakeholders</p> <p>Baseline: Capacity Scorecard rating established at inception phase</p> <p>Indicators:</p> <ul style="list-style-type: none"> - Capacity development scorecard ratings increase in a consistent manner (initial rating to be established at project inception workshop) - Demonstrated global environmental benefits through the adoption of EFR instruments related to biodiversity conservation, reducing GHG emissions, and combating land degradation 	<p>Targets (Year 1)</p> <ul style="list-style-type: none"> - A training needs assessment conducted - A comprehensive information campaign is designed - An EFR website is developed, put online and continuously updated <p>Targets (Year 2)</p> <ul style="list-style-type: none"> - A set of training sessions are implemented in line with the training needs assessment - A comprehensive information campaign is implemented <p>Targets (Year 3)</p> <ul style="list-style-type: none"> - Three case studies are published based the lessons learned related to improved national financing for CBD, CCD, and FCCC implementation through the EFR in Moldova - Capacity Scorecard ratings show improvement at final evaluation 	<ol style="list-style-type: none"> 1. Capacity building for EFR 2. Communication and awareness 3. A political dialogue is established 	<p><i>UNDP</i></p> <p><i>Ministries of Finance, Environment, Agriculture and Economy</i></p> <p><i>Local Public Authorities</i> <i>State Chancellery</i></p> <p><i>OECD</i></p>	<p><i>Technical assistance</i></p> <p><i>\$137,200</i></p>
<p>Output 3: Integration of EFR in local and central planning processes</p> <p>Baseline:</p> <ul style="list-style-type: none"> - JILDLP's PBB does not consider 	<p>Targets (year 1)</p> <ul style="list-style-type: none"> - Yearly joint work plan between the UNDP/GEF EFR project and JILDLP - Assessment of environmental management priorities within the 	<ol style="list-style-type: none"> 1. EFR instruments integrated in the decentralization process 2. EFR instruments integrated into governmental budgeting and MTEF processes 	<p><i>UNDP</i></p> <p><i>Ministries of Finance, Environment, Agriculture and Economy</i></p>	<p><i>Technical assistance</i></p> <p><i>\$183,750</i></p>

<p>environmental priorities</p> <ul style="list-style-type: none"> - MTEF process does not integrate EFR instruments <p>Indicators:</p> <ul style="list-style-type: none"> - Greening JILDP's Performance Based Budgeting system to address local environmental priorities - Medium-Term Expenditure budget reflects increased national allocations to meet CBD, CCD and FCCC targets 	<p>Local Development Strategies</p> <ul style="list-style-type: none"> - Initiate costing study and financing strategy to implement Rio Conventions <p>Targets (year 2)</p> <ul style="list-style-type: none"> - Identification of fiscal reform for local environmental taxes that can be integrated in the PBB system - Complete costing study and financing strategy to implement Rio Conventions <p>Targets (year 3)</p> <ul style="list-style-type: none"> - Identification of fiscal reform for local environmental taxes that can be integrated in the PBB system - Comparative analysis of past MTEF with new and improved MTEF prepared by the end of the project to meet Rio Convention targets 		<p><i>OECD</i></p> <p><i>Local Public Authorities</i></p> <p><i>State Chancellery</i></p>	
<p>Effective management and implementation of the project</p>	<p>Overall targets:</p> <ol style="list-style-type: none"> 1. Ensure 100% delivery rate; 2. Timely implementation of planned activities; 3. Timely development and submission of work plans and progress reports; 4. Compliance with UNDP rules and regulations. 	<ol style="list-style-type: none"> 1. Implementation of inception phase 2. Launch the project 3. Implement project activities 4. Involvement of local and regional stakeholders and beneficiary communities in the decision-making processes 5. Community mobilization and support 6. Assurance of quality of works, transparency and efficient use of funds 7. Annual monitoring and evaluation of project progress and external evaluation by the end of the Program period 8. Communication 	<p><i>UNDP</i></p>	<p><i>Technical assistance</i></p> <p><i>\$128,250</i></p> <p><i>Equipment and supplies</i></p> <p><i>\$13,750</i></p>

Objectives	Indicators	Means of verification	Key assumptions/comments
<p><u>Project Objective</u> To build capacities for implementing environmental fiscal reforms (EFR) that will produce increased national and global environmental benefits through the adoption of selected subsidies, fees, fines, taxes and other appropriate fiscal instruments.</p>	<ul style="list-style-type: none"> ▪ Demonstrated global environmental benefits through the adoption of EFR instruments related to biodiversity conservation, reducing GHG emissions and combating land degradation ▪ Capacity development scorecard ratings increase in a consistent manner (initial rating to be established at project inception workshop) ▪ Regulatory and operational guidelines adopted by the EFR commission for 5 EFR instruments addressed by the project: <ol style="list-style-type: none"> 1) agricultural subsidies scheme/programme, 2) energy subsidies scheme/programme, 3) environmental charges; 4) green/environmental subsidies through NEF/LEF; 5) new eco-technology subsidies ▪ Medium-Term Expenditure budget reflects increased national allocations to meet CBD, CCD, and FCCC targets 	<ul style="list-style-type: none"> ▪ Three case studies are published based the lessons learned related to improved national financing for CBD, CCD, and FCCC implementation through the EFR in Moldova ▪ Capacity Scorecard applied at project inception and as part of the mid-term and final evaluations ▪ Recommendations for legislative texts and technical guidelines elaborated and submitted for political debate and adoption ▪ Comparative analysis of past MTEF with new and improved MTEF prepared by end of the project 	<ul style="list-style-type: none"> ▪ Political and economic stability ▪ Concerned stakeholders adopt and enforce EFR recommendations as part of the Environment Law and Tax Code ▪ Eco-technology investments are viable in Moldova ▪ MoE engage in NEF/LEFs restructuring ▪ MoE engage in eco-charges reform

Component 1: Reform of environmentally harmful subsidies, green subsidies as well as environmental charges			
<p><u>Sub-component 1.1:</u> Introduce policy reform in the area of environmentally harmful subsidies</p>	<ul style="list-style-type: none"> ▪ Feasibility of reform proposals to energy pricing and subsidies and adoption of appropriate legal amendments and implementation measures is confirmed ▪ Feasibility of reform proposals to agricultural subsidies and adoption of appropriate legal amendments and implementation measures is confirmed 	<ul style="list-style-type: none"> ▪ Level of VAT rates, excise tax rates and import duties on energy products (and other possible pricing factors) after reform implementation ▪ Identification of options for greening and reforming current agricultural subsidies, focusing 	<ul style="list-style-type: none"> ▪ Readiness and willingness of concerned ministries (especially ministers responsible for environment, agriculture and energy) and subordinated institutions to implement good

		on the development of new markets	international practice
<u>Sub-Component 1.2:</u> Reform of environmental charges and facilitation of eco-technology investments	<ul style="list-style-type: none"> ▪ Feasibility of reform proposals for several environmental charges currently in force is confirmed ▪ Number of identified eco-technologies that have true potential to be mainstreamed in Moldova ▪ Readiness of eco-technology investment scheme for implementation 	<ul style="list-style-type: none"> ▪ Identification of policy and legal options for environmental charges including considering environmental, economic and fiscal effects ▪ Market analysis of current (financing) markets for several groups and types of eco-technology solutions that could be mainstreamed in Moldova 	<ul style="list-style-type: none"> ▪ Proposed EFR instruments and reform can effectively be based on national policies and linked to relevant EU environmental policy (for example, there is no comprehensive environmental policy at the moment that could, among others, outline steps towards EU approximation)
<u>Sub-Component 1.3:</u> Improved regulations and operational management of the National and Local Ecological Funds (NEF/LEFs)	<ul style="list-style-type: none"> ▪ Implementation of good international practice in managing public environment expenditure programmes applied to NEF/LEF management, especially the areas governance, spending strategies, project cycle management, procurement and reporting/promotion 	<ul style="list-style-type: none"> ▪ Procedures for project cycle management (PCM) for 2-3 main spending areas; ▪ Procurement procedures in line with relevant domestic and EU procurement legislation/practice ▪ Short and long-term spending strategy of NEF/LEFs ▪ Revised statutes of the NEF/LEFs ▪ Website of NEF/LEFs 	

<u>Component 2: Capacity development to engage and build consensus among all stakeholders</u>			
<u>Sub-Component 2.1:</u> Capacity building for EFR	<ul style="list-style-type: none"> ▪ A training needs assessment conducted ▪ A set of training sessions are implemented in line with the training needs assessment ▪ Training for NEF/LEF staff on new operational procedures completed 	<ul style="list-style-type: none"> ▪ Training reports prove participation and satisfaction of most concerned stakeholders ▪ Outputs of Moldovan EFR Commission ▪ Quality and use of EFR websites ▪ Reports about and evaluation forms from conferences and workshops organized by the project 	<ul style="list-style-type: none"> ▪ Moldovan EFR Commission provides technical and political support to the UNDP/GEF EFR project ▪ Moldovan EFR Commission those actually have influence on policy making in Moldova ▪ All relevant stakeholders
<u>Sub-Component 2.2:</u> Communication and awareness	<ul style="list-style-type: none"> ▪ A comprehensive information campaign is implemented ▪ An EFR website is developed, put online and continuously updated ▪ Semi-annual e-newsletters and other relevant communication products including 		

	at least two case studies on adoption of EFR in Moldova have been disseminated widely		actively engage in the project activities
<u>Sub-Component 2.3: A political dialogue is established</u>	<ul style="list-style-type: none"> ▪ Moldovan EFR Commission met on quarterly basis ▪ Conferences and workshops with international participation were implemented to further discuss proposed new EFR instruments has of reform to existing instruments in Moldova 		

<u>Component 3: Integration of EFR in local and central planning processes</u>			
<u>Sub-Component 3.1: EFR instruments integrated in the decentralization process</u>	<ul style="list-style-type: none"> ▪ A common coordination work plan with the Joint Integrated Local Development Programme (JILDLP) developed ▪ Regular meetings of the Sub-group under the working group Financial Decentralization were held ▪ Identification of environmental management priorities within the Local Development Strategies took place ▪ Greening JILDLP's Performance Based Budgeting system to address local environmental priorities 	<ul style="list-style-type: none"> ▪ Yearly joint work plan between the UNDP/GEF EFR project and JILDLP ▪ Minutes of meeting of Sub-group under the working group Financial Decentralization ▪ Assessment of environmental management priorities within the Local Development Strategies ▪ Identification of fiscal reform for local environmental taxes that can be integrated in the PBB system ▪ MoE reports confirming stabilized or increased budget allocations and spending on national and global environmental priorities ▪ Costing study and financing strategy to implement Rio Conventions ▪ Comparative analysis of pre-existing MTEF with MTEF that is strengthened under the project to meet Rio Convention targets 	<ul style="list-style-type: none"> ▪ Cooperation with the Joint Integrated Local Development Programme (JILDLP) is supported by the State Chancellery and MoE ▪ Pilot LPAs within the JILDLP accept to engage in the identification of policy and legal options for collection and distribution of taxes at decentralized level for environmental management ▪ Effective and efficient cooperation between Ministry of Finance and Ministry of Environment as well as other relevant line ministries can be established ▪ There is a sufficiency of human resources within the various government
<u>Sub-Component 3.2: EFR instruments integrated into governmental budgeting and MTEF processes</u>	<ul style="list-style-type: none"> ▪ Budget and MTEF planning is effectively greened in line with good international practice ▪ Increased and improved budget allocations and investment finance for biodiversity conservation, addressing climate change, and activities to combat land degradation (all per Rio Convention targets) 		

			agencies that can absorb the green budgeting and planning training provided, and translate these into high calibre financial strategies and plans.
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Program management and coordination

	<ul style="list-style-type: none"> ▪ Creation, recruitment and effective functioning of Project Management Unit (PT) ▪ Establishment and implementation of the Monitoring and Evaluation system ▪ National personnel and technical assistants recruited ▪ Rate of project delivery as per annual work plans and budgets ▪ Rate of disbursement of grants and government contributions ▪ Amount of additional resources and financing mobilized towards replication and up-scaling ▪ Frequency of meetings and quality of meeting outcomes of Moldovan EFR Commission 	<ul style="list-style-type: none"> ▪ Project reports ▪ Mid-term Evaluation (by national consultant) ▪ Final Evaluation (by international and national consultants) ▪ Annual work-plans and budgets ▪ Agency disbursement reports and financial reports ▪ Minutes of Meetings ▪ Ongoing project monitoring 	
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IV. TOTAL BUDGET AND WORK PLAN

Award ID:	61741
Award Title:	PIMS 4379 CCCD MSP: Strengthening capacities to undertake environmental fiscal reform to meet national and global environmental priorities (Environmental Fiscal Reform)
Business Unit:	MDA10
Project Title:	PIMS 4379 CCCD MSP: Strengthening capacities to undertake environmental fiscal reform to meet national and global environmental priorities
Atlas Project ID	78482

GEF Outcome/Atlas Activity	Responsible Party/Implementing Agent	Fund ID	Donor Name	Atlas Budgetary Account Code	ATLAS Budget Description	Amount 2011 (USD)	Amount 2012 (USD)	Amount 2013 (USD)	Amount 2014 (USD)	Total (USD)	Budget note
OUTCOME 1: Reform of environmentally harmful subsidies, green subsidies, environmental charges with focus on the agriculture/energy sectors	Ministry of Environment (MoE)	62000	GEF	71200	International Consultant		39,000	36,000		75,000	1
				71300	Local Consultants		25,500	21,000	6,000	52,500	2
				71600	Travel		15,000	13,500		28,500	3
				74500	Miscellaneous		500	500	500	1500	
					Total Outcome 1	0	80,000	71,000	6,500	157,500	
OUTCOME 2: Capacity development to engage and build consensus among all stakeholders	MoE	62000	GEF	71200	International Consultant		15,000	12,000	6,000	33,000	4
				71300	Local Consultants		7,650	7,650	5,400	20,700	5
				71600	Travel		11,500	9,500	4,000	25,000	6
				74100	Professional services		5,000	21,000	5,000	31,000	7
				74200	Audio visual/printing costs		3,000	4,000	4,000	11,000	8
				75700	Training		5,000	6,000	4,000	15,000	9
				74500	Miscellaneous		500	500	500	1,500	
					Total Outcome 2	0	47,650	60,650	28,900	137,200	

OUTCOME 3: Integration of EFR in local and central planning processes	MoE	62000	GEF	71200	International Consultant		18,000	21,000	21,000	60,000	10
				71300	Local Consultants	1,500	33,500	33,500	11,250	79,750	11
				71600	Travel		7,500	8,000	8,000	23,500	12
				75700	Training	1,000	1,000	2,500	500	5,000	
				74500	Miscellaneous	20	500	500	480	1,500	
					Sub-total GEF Outcome 3	2,520	60,500	65,500	41,230	169,750	
		4000	UNDP	71300	Local Consultants				14,000	14,000	11
					Sub-total UNDP Outcome 3	0	0	0	14,000	14,000	
					Total Outcome 3	2,520	60,500	65,500	55,230	183,750	

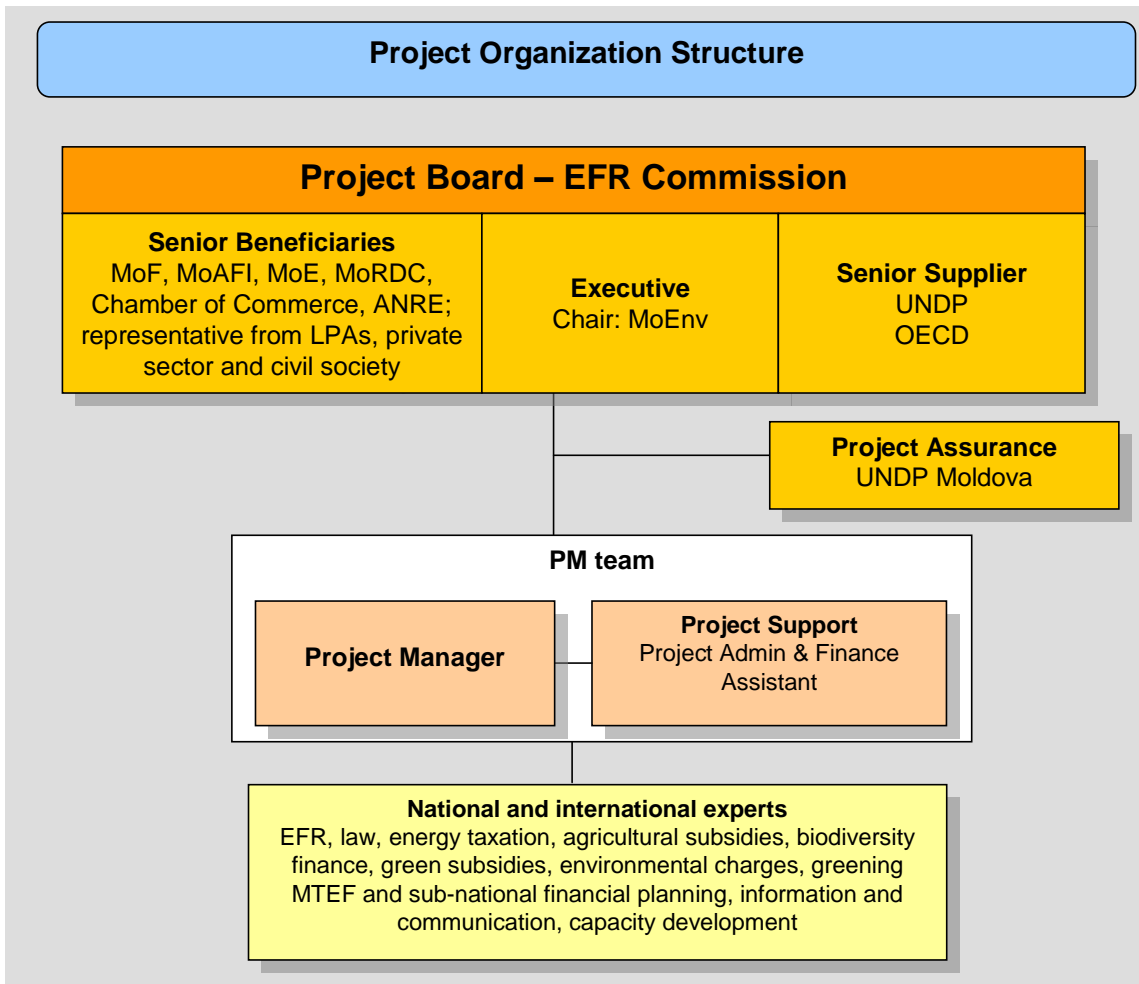
PROJECT MANAGEMENT	MoE	62000	GEF	71400	Contractual Services	3,050	8,200	8,200	6,550	26,000	13
				71200	International Consultant				9,000	9,000	14
				71300	Local Consultants			3,000	3,000	6,000	14
				72400	Comm. & Audio visual equip and charges		1,100	1,200	1,050	3,350	16
				72500	Supplies	400				400	16
				74500	Miscellaneous	50	400	400	400	1,250	16
					Sub-total GEF PM	3,500	9,700	12,800	20,000	46,000	
		4000	UNDP	71400	Contractual Services - Individual		28,000	28,000	24,000	80,000	13
				74100	Professional services		2,000	2,000	2,000	6,000	17
				73100	Rental&maintenance-prem.		1,200	1,200	1,200	3,600	16
				72400	Comm. & Audio visual equip and charges	400	600			1,000	16
				72800	Information Technology Equipmt	3,000				3,000	16
				72500	Supplies		800	800	800	2,400	16
					Sub-total UNDP PM	3,400	32,600	32,000	28,000	96,000	
					Total Management	6,900	42,300	44,800	48,000	142,000	
			PROJECT TOTAL	9,420	230,450	241,950	138,630	620,450			

Summary of Funds	Amount 2011	Amount 2012	Amount 2013	Amount 2014	Total
GEF	5,620	198,250	209,950	96,630	510,450
UNDP	1,000	34,000	32,500	42,500	110,000
Government (Ministry of Environment)*	10,000	90,000	90,000	60,000	250,000
UNDP in-kind	5,000	20,000	15,000	10,000	50,000
OECD in-kind	50,000	80,000	60,000	10,000	200,000
TOTAL	71,620	422,250	407,450	219,130	1,120,450

* not passing through UNDP accounts

Budget notes:	
1	International consultant in Public Finance, Energy taxation, agricultural subsidies, green subsidies and environmental taxation, for a duration of 25 weeks at \$3,000/week
2	National consultant in energy taxation, agricultural subsidies, green subsidies, biodiversity finance for a duration of 50 weeks at \$750/week, and National Legal Expert for a duration of 20 weeks at \$750/week
3	Travel costs for International Experts
4	International Capacity Development Expert for a duration of 8 weeks at \$3,000/week, International Information Expert for a duration of 3 weeks at \$3,000/week
5	National Capacity Development Expert for a duration of 18 weeks at \$750/week, National Information Expert for a duration of 12 weeks at \$600/week
6	Travel costs for International Experts
7	Service contracts with professional entities for provision of trainings and organization of a study tour
8	Cost for the production of needed publications including 2 lessons learned
9	National workshops and policy dialogue series (at least 6)
10	International consultant on Public Finance/sub-national financial planning for a duration of 20 weeks at \$3,000/week
11	National consultant in Public Finance for a duration of 33 weeks at \$750/week and EFR expert for a duration of 138 weeks at \$500/week
12	Travel costs for International Experts
13	Project manager for a duration of 40 weeks at \$500/week (remaining cost for the full-time position over 3 years to be covered by UNDP) and Project Assistant for a duration of 20 weeks at \$300/week (remaining cost for the full-time position over 3 years to be covered by UNDP)
14	Mid-term and final evaluation
15	Acquisition of office furniture (desks, chairs, filing cabinets, tables and cupboards), 2 computers and one printer for project manager and project assistant
16	Office running costs, equipment, including supplies and consumables, travel of project staff, mobile phone charges, project board meetings, etc (co-financing will cover rent, utilities, furniture, equipment, travel of staff, etc.)
17	Auditing/Finance

V. MANAGEMENT ARRANGEMENTS



The Ministry of Environment is the government institution responsible for the implementation of the project and will act as the GEF Executing Agency. UNDP is the GEF Implementing Agency (IA) for the project. The project will be nationally implemented (NIM), in line with the Standard Basic Assistance Agreement (SBAA, 1992) and the Country Programme Action Plan (CPAP, 2007) signed between the UNDP and the Government of Moldova. The project was developed in close consultations with the broader institutional structures and mechanisms in Moldova (see stakeholder analysis section) in order to ensure the legitimacy of and commitment to the project.

The project will be managed through the National Implementation Mechanism (NIM). UNDP Moldova will support the Implementing Partner with implementation support services according to the Agreement of 27 May 2003 between the Government of Moldova and UNDP for provision of support services. These services can include direct payments, procurement of goods and services and recruitment of project personnel.

During the project inception phase a HACT micro-assessment of financial management capacity of the Implementing Partner, the Ministry of Environment, will be undertaken. Based on the assessment the Annual Work Plan for the year 2012 will identify the project activities which will be implemented applying the Direct Cash Transfer mechanism in line with the Harmonised Approach to Cash Transfer (HACT). The direct cash transfer implies that funds for implementation will be transferred to the Ministry of Environment through the single treasury account (and special project sub-account) and managed according to the provisions of the state budget and Moldovan legislation. For this purpose, the Ministry of Environment will take the necessary steps with the Treasury requesting the establishment of a sub-account for the project and launching of the supplemental budget procedure.

The replenishments to this account are done on a quarterly basis by UNDP upon receipt of the financial report (FACE form). Accounting and financial reporting on this project is the responsibility of the Implementing Partner (Accounting Department of the Ministry of Environment). A detailed assurance plan will be set up during the project inception phase in accordance with the findings of the HACT micro-assessment of financial management capacity, including assurance activities like periodic on-site reviews of financial records, quarterly monitoring of the implementation progress of the Annual Work Plan as well as yearly audits (in case the Ministry of Environment will receive or is expected to receive over \$100,000 per year in total funds from UN agencies). The Implementing Partner will provide the project office and facilities.

UNDP will provide targeted capacity development support to the Implementing Partner within the framework of this project and gradually increase the DCT during project implementation in line with the financial capacity assessment undertaken.

UNDP will further be responsible for: (i) providing financial services and audit; (ii) overseeing financial expenditures; (iii) appointment of independent financial auditors and evaluators; and (iv) ensuring that all activities including procurement and financial services are carried out in strict compliance with UNDP procedures, rules and regulations. Audit on project will follow UNDP Financial Regulations and Rules and applicable Audit policies.

A Moldovan EFR Commission (EFRC) will be established and will act as the project's coordination and decision-making body (Project Board). The EFRC is responsible for ensuring that the project remains on course to deliver products of the required quality to meet the outcomes as defined in the project document. The EFRC's role will include: (i) overseeing project implementation; (ii) approving all project work plans and budgets at the proposal of the Project Manager (PM) that will be further submitted to UNDP Regional Center in Bratislava and UNDP/GEF Unit in New York; (iii) approving any major changes in project plans or programmes; (iv) providing technical input and advice; (v) approving major project deliverables; (vi) ensuring long-term commitment of resources and accountability to support project implementation; (vii) arbitrating any conflicts within the project and/or negotiating solutions between the project and any parties beyond the scope of the project; and (viii) overall project evaluation.

The EFRC's composition will include the following stakeholders (one representative from each of them): the MoE, Ministry of Finance, Ministry of Agriculture, Ministry of Economy, ANRE, Ministry of Regional Development and Construction, Chamber of Commerce, private sector representative (one commercial bank, one industry representative) and UNDP. The EFRC shall also include representatives of NGOs, civil society and Local Public Administration in order to facilitate a broad-based agreement and consensus among all key stakeholder groups. The EFRC will be convened by the MoE, and supported logistically by the Project Management Unit (PT). The EFRC meetings will be chaired by the Ministry of Environment representative. The EFRC will meet at least every three (3) months in order to provide timely over-sight to project implementation.

The day-to-day administration of the project will be carried out by a Project Team (PT) comprising a Project Manager (PM) and Project Assistant (PA) recruited on a competitive basis. The PT office will be physically located within the MoE premises. The Project Manager will liaise and work closely with all concerned stakeholders, at local, national and international levels, and link the project with complementary national programmes and initiatives.

The PT will manage the implementation of all project activities, including the preparation of project progress reports, work plans, budgets, record keeping, accounting, technical specifications, and other documents as necessary; identification, coordination and supervision of consultants and suppliers, organization of duty travel, seminars, public outreach activities and other project events, and maintaining working contacts with project partners at the central and local levels.

Necessary technical assistance will be provided by the project through the deployment of specialized technical expertise. The use of national and international experts from will help ensure that up-to-date and relevant know-how is accessible, and that national capacities are strengthened through on-the-job implementation of project activities. Accordingly, the following joint expertise will be provided through national and international experts: energy taxation, agriculture subsidies and biodiversity finance, green subsidies and environmental charges, greening MTEF and sub-national financial planning, information and communication, capacity development and M&E.

A long-term and cost-effective deployment strategy of national and international experts will be established as part of the operational planning of the project, this will take into account the following key aspects:

- Priority will be given to using regional experts with greater relevant national and regional experiences;
- The cost and value of international expertise will be kept at an appropriate and optimum level by taking a transparent competitive review of international and regional experts; and
- A roster of regional and international experts would be created, from which contracted consultant(s) would be available for the needed project activities.

The PT will produce Annual Work and Budget Plans (AWP&ABP) to be approved by the Project Board at the beginning of each year. These plans will provide the basis for allocating resources to planned activities. Once the Project Board approves the Annual Work Plan this will be sent to the UNDP Regional Centre for Europe and Commonwealth of Independent States in Bratislava for revision and approval. Once the Annual Working Plan and Budget is approved by the Regional Centre it will be sent to the UNDP/GEF Unit in New York for final approval and release of the funding. The PT will further produce quarterly progress reports and annual Project Implementation Reports (PIR), or any other report requested by the Project Board. The Board will meet to review and discuss the quarterly progress reports and their recommendations. These reports will summarize the progress made by the project versus the expected results, explain any significant variances, detail the necessary adjustments and be the main reporting mechanism for monitoring project activities. The PT will be technically supported by contracted national and international consultants and service providers.

PT costs, including the positions of the Project Manager and the Project Assistant, will be covered mainly by cash co-financing committed by UNDP and the Government of Moldova.

VI. MONITORING FRAMEWORK AND EVALUATION

The project will be monitored through the following M&E activities. The M& E budget is provided in the table below.

Project start:

A Project Inception Workshop will be held within the first 2 months of project start with those with assigned roles in the project organization structure, UNDP country office and where appropriate/feasible regional technical policy and programme advisors as well as other stakeholders. The Inception Workshop is crucial to building ownership for the project results and to plan the first year annual work plan.

- a. The Inception Workshop should address a number of key issues including:
- b. Assist all partners to fully understand and take ownership of the project. Detail the roles, support services and complementary responsibilities of UNDP CO and RCU staff with respect to the project team. Discuss the roles, functions, and responsibilities within the project's decision-making structures, including reporting and communication lines, and conflict resolution mechanisms. The Terms of Reference for project staff will be discussed again as needed.
- c. Based on the project results framework and the relevant GEF Tracking Tool if appropriate, finalize the first annual work plan. Review and agree on the indicators, targets and their means of verification, and recheck assumptions and risks.
- d. Provide a detailed overview of reporting, monitoring and evaluation (M&E) requirements. The Monitoring and Evaluation work plan and budget should be agreed and scheduled.
- e. Discuss financial reporting procedures and obligations, and arrangements for annual audit.
- f. Plan and schedule Project Steering Committee meetings. Roles and responsibilities of all project organisation structures should be clarified and meetings planned. The first Project Steering Committee meeting should be held within the first 12 months following the inception workshop.

An Inception Workshop report is a key reference document and must be prepared and shared with participants to formalize various agreements and plans decided during the meeting.

GEF Capacity Development Scorecard: This tool will be implemented as a time-series evaluation, assessing the cross-cutting capacity development to meet global environmental benefits at time 0, project mid-point, and project conclusion. Indicators would be rated to quantify the change achieved and to provide information needed for higher reporting purposes at program level. The scorecard will serve as a valuable tool to make some inferences about the project's contribution to strengthening Moldova's foundational capacities to meeting global environmental commitments. The scorecard will be used during the inception workshop as a survey among participants to assess the baseline of relevant capacities, followed by ratings performed by the independent consultant as part of the mid-term and final evaluation. An additional set of 11 indicators specific to EFR were formulated, and will also be assessed during the project inception phase (see Annex A). At this time, project stakeholder representatives (n>100) will be surveyed to re-assess the baseline of environmental fiscal reform through the Capacity Development Scorecard.

The Capacity Development Scorecard will be rated during the mid-point of project implementation as part of a mid-term evaluation undertaken by a national consultant, as well as part of the final evaluation to assess the extent to which the project is making a contribution to institutionalizing the sustainability of EFR and associated project outcomes.

Quarterly:

Progress made shall be monitored in the UNDP Enhanced Results Based Management Platform. Based on the initial risk analysis submitted, the risk log shall be regularly updated in ATLAS. Risks become critical when the impact and probability are high. Note that for UNDP GEF projects, all financial risks associated with financial instruments such as revolving funds, microfinance schemes, or capitalization of ESCOs are automatically classified

as critical on the basis of their innovative nature (high impact and uncertainty due to no previous experience justifies classification as critical).

Based on the information recorded in Atlas, a Project Progress Reports (PPR) can be generated in the Executive Snapshot. Other ATLAS logs can be used to monitor issues, lessons learned, among others. The use of these functions is a key indicator in the UNDP Executive Balanced Scorecard.

Annually:

Annual Project Review/Project Implementation Reports (APR/PIR): This key report is prepared to monitor progress made since project start and in particular for the previous reporting period (30 June to 1 July). The APR/PIR combines both UNDP and GEF reporting requirements.

The APR/PIR includes, but is not limited to, reporting on the following:

Progress made toward project objective and project outcomes - each with indicators, baseline data and end-of-project targets (cumulative)

- Project outputs delivered per project outcome (annual).
- Lesson learned/good practice.
- AWP and other expenditure reports
- Risk and adaptive management
- ATLAS QPR
- Portfolio level indicators (i.e., GEF focal area tracking tools) are used by most focal areas on an annual basis as well.

Periodic Monitoring through site visits:

UNDP CO and the UNDP RCU will conduct visits to project sites based on the agreed schedule in the project's Inception Report/Annual Work Plan to assess first hand project progress. Other members of the Project Steering Committee may also join these visits. A Field Visit Report/BTOR will be prepared by the CO and UNDP RCU and will be circulated no less than one month after the visit to the project team and Project Steering Committee members.

Mid-term of project cycle:

The project will undergo an independent Mid-Term Evaluation at the mid-point of project implementation conducted by a national consultant (May 2013). The Mid-Term Evaluation will determine progress being made toward the achievement of outcomes and will identify course correction if needed. It will focus on the effectiveness, efficiency and timeliness of project implementation; will highlight issues requiring decisions and actions; and will present initial lessons learned about project design, implementation and management. Findings of this review will be incorporated as recommendations for enhanced implementation during the final half of the project's term. The organization, terms of reference and timing of the mid-term evaluation will be decided after consultation between the parties to the project document. The Terms of Reference for this Mid-term evaluation will be prepared by the UNDP CO based on guidance from the Regional Coordinating Unit and UNDP-GEF. The management response and the evaluation will be uploaded to UNDP corporate systems, in particular the [UNDP Evaluation Office Evaluation Resource Center \(ERC\)](#).

The relevant GEF Focal Area Tracking Tools will also be completed during the mid-term evaluation cycle, in particular the GEF Capacity Development Scorecard.

End of Project:

An independent Final Evaluation will take place three months prior to the final Project Steering Committee meeting and will be undertaken in accordance with UNDP and GEF guidance. The final evaluation will focus on the delivery of the project's results as initially planned (and as corrected after the mid-term evaluation, if any such correction took place). The final evaluation will look at impact and sustainability of results, including the contribution to capacity development and the achievement of global environmental benefits/goals. The Terms of

Reference for this evaluation will be prepared by the UNDP CO based on guidance from the Regional Coordinating Unit and UNDP-GEF. The Terminal Evaluation should also provide recommendations for follow-up activities and requires a management response which should be uploaded to PIMS and to the [UNDP Evaluation Office Evaluation Resource Center \(ERC\)](#).

The relevant GEF Focal Area Tracking Tools will also be completed during the final evaluation, in particular the GEF Capacity Development Scorecard. During the last three months, the project team will prepare the Project Terminal Report. This comprehensive report will summarize the results achieved (objectives, outcomes, outputs), lessons learned, problems met and areas where results may not have been achieved. It will also lay out recommendations for any further steps that may need to be taken to ensure sustainability and replicability of the project's results.

Learning and knowledge sharing:

Results from the project will be disseminated within and beyond the project intervention zone through existing information sharing networks and fora. The project will identify and participate, as relevant and appropriate, in scientific, policy-based and/or any other networks, which may be of benefit to project implementation though lessons learned. The project will identify, analyze, and share lessons learned that might be beneficial in the design and implementation of similar future projects.

Finally, there will be a two-way flow of information between this project and other projects of a similar focus.

Communications and visibility requirements:

The project will take all necessary measures to ensure the visibility of the GEF financing. Such measures will be in accordance with the need to give adequate publicity to the action being implemented as well as to the support from the GEF. Therefore, a communication and visibility plan will be outlined in the project document. This will include the compulsory use of the GEF logo on all material, publications, leaflets, brochures and newsletters, websites, business cards, signage, vehicles, supplies and equipment, display panels, commemorative plaques, banners, promotional items, photographs, audiovisual productions, public events and visits and information campaigns. Press releases, press conferences and press visits will follow the rules currently in place.

Full compliance is required with UNDP's Branding Guidelines. These can be accessed at <http://intra.undp.org/coa/branding.shtml>, and specific guidelines on UNDP logo use can be accessed at: <http://intra.undp.org/branding/useOfLogo.html>. Amongst other things, these guidelines describe when and how the UNDP logo needs to be used, as well as how the logos of donors to UNDP projects needs to be used. For the avoidance of any doubt, when logo use is required, the UNDP logo needs to be used alongside the GEF logo. The GEF logo can be accessed at: http://www.thegef.org/gef/GEF_logo. The UNDP logo can be accessed at <http://intra.undp.org/coa/branding.shtml>.

Full compliance is also required with the GEF's Communication and Visibility Guidelines (the "GEF Guidelines"). The GEF Guidelines can be accessed at: http://www.thegef.org/gef/sites/thegef.org/files/documents/C.40.08_Branding_the_GEF%20final_0.pdf. Amongst other things, the GEF Guidelines describe when and how the GEF logo needs to be used in project publications, vehicles, supplies and other project equipment. The GEF Guidelines also describe other GEF promotional requirements regarding press releases, press conferences, press visits, visits by Government officials, productions and other promotional items.

Where other agencies and project partners have provided support through co-financing, their branding policies and requirements should be similarly applied.

M&E Work Plan and Budget

Type of M&E activity	Responsible Parties	Budget US\$ <i>Excluding project team staff time</i>	Time frame
Inception Workshop and Report	<ul style="list-style-type: none"> ▪ Project Manager ▪ UNDP CO, UNDP GEF 	4,000	Within first two months of project start up
Capacity Development Scorecard	<ul style="list-style-type: none"> ▪ Project Manager and team ▪ UNDP CO, UNDP/GEF 	None.	As part of the Inception Workshop, Mid-Term Evaluation, and Final Evaluation
Measurement of Means of Verification of project results.	<ul style="list-style-type: none"> ▪ UNDP GEF RTA/Project Manager will oversee the hiring of specific studies and institutions, and delegate responsibilities to relevant team members. 	To be finalized in Inception Phase and Workshop.	Start, mid- and end of project (during evaluation cycle) and annually when required.
Measurement of Means of Verification for Project Progress on <i>output and implementation</i>	<ul style="list-style-type: none"> ▪ Oversight by Project Manager ▪ Project team 	To be determined as part of the Annual Work Plan's preparation.	Annually prior to APR/PIR and to the definition of annual work plans
APR/PIR	<ul style="list-style-type: none"> ▪ Project Manager and team ▪ UNDP CO ▪ UNDP RTA ▪ UNDP EEG 	None	Annually
Periodic status/ progress reports	<ul style="list-style-type: none"> ▪ Project Manager and team 	None	Quarterly
Mid-Term Evaluation	<ul style="list-style-type: none"> ▪ Project Manager and team ▪ UNDP CO ▪ UNDP RCU ▪ External Consultants (i.e., evaluation team) 	Indicative cost: 3,000	At the mid-point of project implementation.
Final Evaluation	<ul style="list-style-type: none"> ▪ Project Manager and team, ▪ UNDP CO ▪ UNDP RCU ▪ External Consultants (i.e., evaluation team) 	Indicative cost : 12,000	At least three months before the end of project implementation
Terminal Workshop and Report	<ul style="list-style-type: none"> ▪ Project Manager ▪ UNDP CO, UNDP GEF 	4,000	No more than two months before operational closure
Project Terminal Report	<ul style="list-style-type: none"> ▪ Project Manager and team ▪ UNDP CO ▪ Local consultant 	0	At least three months before the end of the project
Audit	<ul style="list-style-type: none"> ▪ UNDP CO ▪ Project Manager and team 	2,000	Yearly
Visits to field sites	<ul style="list-style-type: none"> ▪ UNDP CO ▪ UNDP RCU (as appropriate) ▪ Government representatives 	For GEF supported projects, paid from IA fees and operational budget	Yearly
TOTAL Indicative COST Excluding project team staff time and UNDP staff and travel expenses		US\$ 25,000	

VII. LEGAL CONTEXT

This document together with the CPAP signed by the Government and UNDP which is incorporated by reference constitute together a Project Document as referred to in the Standard Basic Assistance Agreement (SBAA) and all CPAP provisions apply to this document.

Consistent with the Article III of the SBAA, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner. The implementing partner shall:

- a) Put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) Assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

VIII. ANNEXES

Annex A: Capacity Development Scorecard

Project: Strengthening capacities to undertake environmental fiscal reform to meet national and global environmental priorities.

Capacity Result / Indicator	Staged Indicators	Rating	Comments	Next Steps	Contribution to which Outcome
CR 1: Capacities for engagement					
Indicator 1 – Degree of legitimacy/mandate of lead project stakeholder organizations	Organizational responsibilities for environmental management are identified	1	The mandates of concerned stakeholders related to EFR are identified but not coordinated	A political dialogue will be established and managed throughout the project, and institutionalized to ensure sustainability	2
Indicator 2 – Existence of operational co-management mechanisms	No co-management mechanisms are in place	0	No formal co-management mechanisms related to EFR are in place to date	Through the Project Steering Committee, project activities will be monitored and managed in consultation, collaboration, and coordination with representatives of stakeholders and partner agencies and organizations	1, 3
Indicator 3 – Existence of cooperation with stakeholder groups	Stakeholders are identified but their participation in decision-making is limited	1	There is limited technical capacities and decision-making to enforce and allocate sufficient financing for environmental management	Technical know-how will help mobilize engagement of decision-makers in the EFR process	1, 3
CR 2: Capacities to generate, access and use information and knowledge					
Indicator 4 – Degree of environmental awareness of stakeholders	Stakeholders are aware about global environmental issues but not about the possible solutions (MEAs)	1	There is limited awareness of the current system to manage environmental subsidies, fees, and fines and their contribution to helping meet MEAs	A comprehensive information strategy on Moldova's environmental financing needs and opportunities will be implemented	2
Indicator 5 – Access and sharing of environmental information by	The environmental information is partially available and shared among stakeholders but is	2	Limited information is made available related to implementing options and benefits	Communication and awareness activities support the establishment of necessary information	2

Capacity Result / Indicator	Staged Indicators	Rating	Comments	Next Steps	Contribution to which Outcome
stakeholders	not covering all focal areas and/or the information management infrastructure to manage and give information access to the public is limited		of EFR	sharing infrastructure	
Indicator 6 – Existence of environmental capacity building programs	Environmental education programmes are partially developed and partially delivered	1	A number of programmes related to EFR exist but are not sufficiently strategic or operational	Integration of EFR at the local and central planning levels will help institutionalize EFR reforms	3
Indicator 7 – Extend of the linkage between environmental research/science and policy development	No linkages exist between environmental policy development and science/research strategies and programmes	0	There is limited experience in involving academic institutions in policy-making in environmental policy formulation with regards to environmental financing	The project will allow close involvement of academic experts in EFR and will allow science and research partners to inform policy-makers	1, 2, 3
Indicator 8 – Extend of inclusion/use of traditional knowledge in environmental decision-making	Traditional knowledge is identified and recognized as important but is not collected and used in relevant participative decision-making processes	1	Current consultative processes do not sufficiently capture traditional knowledge related to environmental financing in the decision-making process	Taking an adaptive collaborative management approach, the project will allow local community groups to be closely involved in and to inform the EFR process with related traditional knowledge.	2, 3
CR 3: Capacities for strategy, policy and legislation development					
Indicator 9 – Extend of the environmental planning and strategy development process	The environmental planning and strategy development process produces adequate environmental plans and strategies but they are not implemented or used	1	The current political dialogue on EFR does not allow a policy process to be established in support of global environmental priorities	The Moldovan EFR Commission is established and operational, with particular attention to how EFR will help increase the financing of activities to help meet Rio Convention obligations	2, 3
Indicator 10 – Existence of an adequate environmental policy and regulatory frameworks	Adequate environmental policy and legislation frameworks exist but there are problems in implementing and enforcing them	2	Policies and regulation for financing environmental management activities exist but are not optimized	Regulatory and operational guidelines are established for five EFR instruments including environmental subsidies, fees and	1

Capacity Result / Indicator	Staged Indicators	Rating	Comments	Next Steps	Contribution to which Outcome
				finances	
Indicator 11 – Adequacy of the environmental information available for decision-making	Some environmental information exists but it is not sufficient to support environmental decision-making processes	1	Available data and information do not sufficiently allow for informed decision-making related to environmental fiscal management	Analysis of data and information needs targeted to implementing EFR at the local, regional, and central levels	3
CR 4: Capacities for management and implementation					
Indicator 12 – Existence and mobilization of resources	The funding sources for these resource requirements are partially identified and the resource requirements are partially addressed	2	Financial resources exist but do not lead to optimizing national and global environmental benefits	Capacity development in resource mobilization allows for strategic EFR alternatives and options	1
Indicator 13 – Availability of required technical skills and technology transfer	The necessary required skills and technology are not available and the needs are not identified	0	Limited expertise is available to implement EFRs to meet MEA objectives	Training on targeted capacities to streamline and improve environmental financing is provided	2
CR 5: Capacities to monitor and evaluate					
Indicator 14 – Adequacy of the project/programme monitoring process	Irregular project monitoring is being done without an adequate monitoring framework detailing what and how to monitor the particular project or program	0	No monitoring protocols for existing EFR instruments are in place	Monitoring tools and procedures for environmental financing are established and institutionalize	2, 3
Indicator 15 – Adequacy of the project/programme evaluation process	An adequate evaluation plan is in place but evaluation activities are irregularly conducted	1	Although mandatory, evaluation of existing EFR instruments is irregular	The evaluation of environmental financing instruments is formalized through operational guidelines adopted for each EFR instrument	1
Additional Capacity Development Indicators to be assessed during early project implementation					
EFR-1: The definition and identification of stakeholders that are mainly concerned with EFR	Concerned stakeholders are not defined	0			
	The definition of the concerned stakeholders is inadequate	1			
	The definition of the concerned	2			

Capacity Result / Indicator	Staged Indicators	Rating	Comments	Next Steps	Contribution to which Outcome
	stakeholders is moderately adequate				
	The definition of the concerned stakeholders is very adequate	3			
EFR-2: Partnerships forged between the different concerned stakeholders in EFR	Partnerships between the stakeholders are not existent	0			
	Partnerships are inadequate	1			
	Partnerships are adequate but not systematic	2			
	Partnerships are systematic	3			
EFR-3: The institutions responsible for <i>fiscal</i> management are involved in EFR	The mandate concerning EFR is not clear at the level of institutions responsible for <i>fiscal</i> management	0			
	The mandate is inadequate	1			
	The mandate is sometimes clear	2			
	The mandate is always clear	3			
EFR-4: The institutions responsible for <i>environmental</i> management are involved in EFR	The mandate concerning EFR is not clear at the level of institutions responsible for <i>environmental</i> management	0			
	The mandate is inadequate	1			
	The mandate is sometimes clear	2			
	The mandate is always clear	3			
EFR-5: The personnel at the level of the different concerned stakeholders accept sharing cooperation arrangements for the adoption of EFR	Personnel is not ready to cooperate	0			
	Personnel has inadequate cooperation potential	1			
	Personnel has average cooperation potential	2			

Capacity Result / Indicator	Staged Indicators	Rating	Comments	Next Steps	Contribution to which Outcome
	Personnel has adequate cooperation potential	3			
EFR-6: Information needs related to the adoption of EFR is systematically identified at the level of all concerned stakeholders	The identification of information needs is not addressed	0			
	The identification of information needs is inadequate	1			
	The identification of information needs is adequate but not systematic	2			
	The identification of information needs is systematic	3			
EFR-7: Information gathering and analysis is conducted by the different stakeholders according to a clear system, as part of the mandate of various institutions	Institutions do not follow an information gathering and analysis system according to a clear mandate	0			
	Institutions follow an information gathering and analysis system according to inadequate mandates	1			
	Institutions follow an information gathering and analysis system according to relatively clear mandates	2			
	Institutions follow an information gathering and analysis system according to clear mandates	3			
EFR-8: Personnel is capable of collecting and analyzing the necessary information related to EFR	Personnel is incapable of collecting and analyzing the necessary information	0			
	Personnel has inadequate capabilities for collecting and analyzing the necessary information	1			
	Personnel has average capabilities	2			

Capacity Result / Indicator	Staged Indicators	Rating	Comments	Next Steps	Contribution to which Outcome
	for collecting and analyzing the necessary information				
	Personnel has adequate capabilities for collecting and analyzing the necessary information	3			
EFR-9: A monitoring and evaluation system is well-defined to assist in decision-making and to inform the progress made in adopting EFRs	The M&E system is not available	0			
	The M&E system is inadequate	1			
	The M&E system is adequate but not systematic	2			
	The M&E system is systematic	3			
EFR-10: The monitoring and evaluation system concerning the adoption of EFRs is integrated into the mandates of key institutions	Institutions do not adopt M&E tools as part of their mandates	0			
	Institutions adopt M&E tools adequately	1			
	Institutions sometimes adopt M&E tools	2			
	Institutions always adopt M&E tools	3			
EFR-11: Personnel responsible for M&E are well-trained and capable of monitoring the adoption of EFRs	Personnel is incapable of using M&E tools	0			
	Personnel has inadequate capabilities to use M&E tools	1			
	Personnel has average capabilities to use M&E tools	2			
	Personnel has adequate capabilities to use M&E tools	3			

Annex B: Letters of Endorsement and Co-Financing (separate files)

GEF OFP LETTER OF ENDORSEMENT (5 NOV. 2009)

MINISTERUL MEDIULUI
AL REPUBLICII MOLDOVA



MINISTRY OF ENVIRONMENT OF
THE REPUBLIC OF MOLDOVA

Our Ref: 03-08/ 216

Date: 5 November 2009

To: Mr. Yannick Glemarec, UNDP-GEF Executive Coordinator
304 East 45th Street, 9th Floor, New York, NY 10017

Subject: Endorsement letter for PIMS 4379 "Strengthening Environmental Fiscal Reform for National and Global Environment Management"

Dear Mr. Glemarec,

In my capacity as GEF Operational Focal Point for Republic of Moldova, I confirm that the above project proposal (a) is in accordance with the government's national priorities and the commitments made by Republic of Moldova under the relevant global environmental conventions and (b) has been discussed with relevant stakeholders, including the global environmental convention focal points, in accordance with GEF's policy on public involvement.

Accordingly, I am pleased to endorse the preparation of the above project proposal with the support of UNDP. If approved, the proposal will be prepared and implemented by the Ministry of Environment. Further, I request UNDP to provide a copy of the project document for consultation before it is submitted to the GEF Secretariat for CEO endorsement.

I understand that the total GEF financing being requested for this project is \$550 000, which includes \$25,000 for project preparation (PPG), and \$ 50,000 (10% of the project and PPG amount) of fees to UNDP for project cycle management services associated with this project.

Sincerely,

A handwritten signature in black ink, appearing to read "Gheorghe SALARU".

Gheorghe SALARU
Minister

GEF Political and Operational Focal Point
in the Republic of Moldova

Copy to: UNFCCC Focal Point
UNCCD Focal Point
UNCBD Focal Point

LETTER FROM UNDP (15 APRIL 2011)

United Nations Development Programme
Programul Națiunilor Unite pentru Dezvoltare



Ref. No. 2011-04-15.12 /NV/

15 April 2011

Subject: Co-financing letter for project "Strengthening capacities to undertake environmental fiscal reform (EFR) to meet national and global environmental priorities"

Dear Mr. Glemarec, *Dear Yannick*

I have the pleasure to reconfirm our strong interest to act as implementing agency for the above mentioned UNDP/GEF CCCD project in partnership with the Government of Moldova and specifically the Ministry of Environment.

In this context I am further pleased to confirm our preliminary commitment to co-finance the project in the amount of US\$160,000 over the next 3 years, of which US\$ 110,000 are offered as grant co-financing by UNDP core resources and US\$ 50,000 in-kind. The co-financing will be allocated as contribution towards the successful management and operation of the project, including EFR experts and auditing costs, and to ensure successful achievement of the projects' Sub-Component 3, which focuses on integrating EFR in local and central planning processes.

We look forward to a continuing fruitful cooperation.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'K. Immonen', with a long horizontal stroke extending to the right.

Kaarina Immonen
Resident Representative

Yannick GLEMAREC
Executive Coordinator, Global Environment Facility
United Nations Development Programme
304 East 45th Street 9th floor
New York, NY
10017, USA

LETTER FROM OECD (14 APR. 2011)



ENV/EPI/BG/11.44

14 April 2011

Mr. Yannick GLEMAREC
Executive Coordinator, Global Environmental Facility
United Nations Development Programme
304 East 45th Street 9th Floor
New York, NY
10017 USA

Subject: OECD in-kind contribution to the UNDP/GEF project on “Strengthening capacities to undertake environmental fiscal reform to meet national and global environmental priorities”

Dear Mr. Glemarec,

I have the pleasure to confirm our interest to contribute to the implementation of the UNDP/GEF project on “Strengthening capacities to undertake environmental fiscal reform to meet national and global environmental priorities” that will be implemented in the Republic of Moldova over the next three years. Environmental fiscal reform and strengthening national capacities for its implementation are among the major drivers of green growth. In this context, we find the UNDP/GEF project targeting Moldova very relevant and timely.

I also confirm that the project is close in spirit to the future work of the Task Force for the Implementation of the Environmental Action Programme (EAP Task Force) for Eastern Europe, Caucasus and Central Asia (EECCA), whose Secretariat is located at the OECD’s Environment Directorate. We would be particularly interested to contribute to the work on this project on three specific topics, both analytical and related to capacity development, namely:

1. Designing and costing an environmental expenditure programme (possibly related to climate change adaptation) for the Ministry of Environment in line with good international practices;
2. Training for environmental authorities in Moldova on designing and implementing environmental multi-year expenditure programmes as part of medium-term expenditure frameworks (MTEF) and planning;
3. Preparing a case study on environmentally-harmful subsidies in Moldova, possibly in the agriculture and energy sectors, and, on this basis, developing policy-relevant recommendations for green fiscal reform measures.

Most of this work will be launched early next year. We are now in a process of raising funds for these projects. We hope to raise about 150 000 Euro for the three projects identified above, though this is obviously dependent on the generosity of donors. We shall use these resources to contribute to the UNDP/GEF project implementation subject to availability of donor support and the extension of the mandate for the EAP Task Force, which will be clarified at the next “Environment for Europe” Ministerial Conference in September 2011. In principle, the in-kind contribution by the OECD will cover mostly OECD staff time working on the projects, fees for international consultants and travel costs.

Having said this, I would like to once again express our appreciation for the work you are doing in the EECCA region. My staff and I look forward to a fruitful cooperation.

Yours sincerely,

Brendan Gillespie
Head, Environmental Performance and Information Division
Environment Directorate OECD

Secretariat of the EAP Task Force:
Environment Directorate, OECD, 2, rue André-Pascal, 75775 Paris CEDEX 16, France
tel: (33 1) 45 24 81 85; fax: (33 1) 44 30 61 83; e-mail: eap.contact@oecd.org; <http://www.oecd.org/env/eap/>

LETTER FROM MOE (15 JUNE 2011)

MINISTERUL MEDIULUI
AL REPUBLICII MOLDOVA



MINISTRY OF ENVIRONMENT
OF THE REPUBLIC OF MOLDOVA

Our Ref: *03-08/253*

Date: 15 June 2011

Subject: *Co-financing letter for "Strengthening capacities to undertake environmental fiscal reform to meet national and global environmental priorities"*

Dear Mr. Yannick Glemarec,

On behalf of the Ministry of Environment of the Republic of Moldova and in my capacity as GEF Political and Operational Focal Point, I would like to express full support for the proposal of the project entitled "Strengthening capacities to undertake environmental fiscal reform to meet national and global environmental priorities". I reconfirm that the above project proposal is in accordance with my government's national priorities and our commitment to the relevant global environmental conventions and that it was discussed with all relevant stakeholders, including the global environmental convention focal points.

I am pleased to confirm our commitment to co-finance this UNDP-GEF project in the amount of approximately US\$250,000 over the next 3 years, funds that will be managed by the Ministry of Environment. We will grant this support to reform of environmentally harmful subsidies and eco-taxes/charges as well as facilitation of eco-technology investments, to activities related to improving regulations and operational management of the National Ecological Funds and to establishing a political dialogue and building consensus and awareness around EFR, as well as project management.

Sincerely,

A handwritten signature in black ink, appearing to read "Gheorghe Șalaru".

Gheorghe ȘALARU,

**Minister of Environment
GEF Political/Operation Focal Point**

To: Mr. Yannick Glemarec
Executive Coordinator UNDP-GEF
United Nations Development Programme
304 East 45th Street 9th floor
New York, NY, 10017, USA

Annex C: Terms of References (preliminary)

Local Consultants	Tasks to be performed
Project manager	<ul style="list-style-type: none"> - Coordinate overall program activities and liaise with relevant national and international partners; - Prepare annual and semi-annual programmes and budgets - Monitor progress and results of project activities - Provide secretariat support to EFR Commission - Support MoEnv with overall policy and technical support in all EFR related matter - Financial management and implementation of financial control procedures - Gather and disseminate information and lessons learned through the program - Mobilize additional resources as needed - Take care of any other work on the operational level that is necessary for successful project implementation - 30% of time for substantive work in public finance covering one or both of the following project areas: agriculture subsidies and energy taxation/subsidies
Administrative Financial Assistant	<ul style="list-style-type: none"> - Perform day-to-day administrative tasks - Arrange for meetings and visit schedules etc. - Maintain databases of project stakeholders, etc. - Perform and document management and backup of all relevant documentation - Ensure day-to-day accounting, analytical accounting and budgetary management in accordance with established procedures - Provide consolidated accounts, internal management controls and monitoring of disbursements - Produce financial statements and reports including detailed expenditures reports on the use of donor funds and government counterpart funds - Prepare for and assist with annual external audits - Draft a manual on administrative, accounting and financial procedures and establish management system - Verify and countersign authorized payments
EFR expert	<ul style="list-style-type: none"> - Responsible for substantive work in the following project areas: environmental charges, green subsidies, biodiversity finance, training, information management and greening MTEF and sub-national planning - Participate in development of Annual programmes and budgets - Contribute to development of terms of reference for consultants - Provide necessary technical support to all project consultants
Legal Expert	<ul style="list-style-type: none"> - analyze, review and provide legal advice on draft legislation developed by the project related to various EFR instruments - advocate proposed new EFR related legislation at the relevant national fora
Expert in energy taxation	<p>In cooperation with the international expert in energy taxation:</p> <ul style="list-style-type: none"> - contribute to the implementation of the project component 1.1.1 (energy taxation/subsidies)
Expert in agriculture subsidies and biodiversity finance	<p>In cooperation with the international expert in agriculture subsidies and biodiversity finance:</p> <ul style="list-style-type: none"> - contribute to the implementation of project components 1.1.1 (agriculture subsidies) and 3.2.2 (biodiversity costing study and financing strategy)
Expert in green subsidies and	<p>In cooperation with the international expert in green subsidies and environmental</p>

environmental charges	charges: <ul style="list-style-type: none"> - contribute to the implementation of project components 1.2.1 (reform of emission and product charges and facilitation of eco-technology investments) / 1.3.1 (good international practice in NEF/LEF management) / 2.1.2 (training of NEF/LEF staff)
Expert in greening MTEF and sub-national financial planning	In cooperation with the international expert in greening MTEF and sub-national financial planning: <ul style="list-style-type: none"> - contribute to the implementation of project components 3.1.1 (EFR integration in local development planning) / 3.1.2 (eco-taxes on local level) / 3.2.1 (greening MTEF planning)
Information and communication	In cooperation with the international information, communication, contribute to the implementation of the following project components: <ul style="list-style-type: none"> - 2.2.1 (information campaign and EFR website) - 2.2.2 (lessons learned and EFR case studies) - 2.3.2 (conferences and workshops) - design and produce publications and other communication materials requested by the Moldovan EFR Commission
Capacity development expert and M&R	In cooperation with the international capacity development expert, contribute to the implementation of the following project components: <ul style="list-style-type: none"> - 2.1.1 (training needs assessment) - develop and support the implementation of a training and other capacity building programme addressing capacity building needs for new and improved EFR measures - support in development and implementation of Monitoring and Reporting (M&R) plan for capacity building programme in specific and for the project in general, at project inception phase and on a yearly basis according to GEF requirement - support in establishing project indicators baseline and yearly progress including lessons learned and case studies
Evaluation expert	<ul style="list-style-type: none"> - perform Mid-term Evaluation - perform Final Evaluation

International Consultants	Tasks to be performed
Expert in energy taxation	In cooperation with the national expert in energy taxation: <ul style="list-style-type: none"> - contribute to the implementation of the project component 1.1.1 (energy taxation/subsidies)
Expert in agriculture subsidies and biodiversity finance	In cooperation with the national expert in agriculture subsidies and biodiversity finance: <ul style="list-style-type: none"> - contribute to the implementation of project components 1.1.1 (agriculture subsidies) and 3.2.2 (biodiversity costing study and financing strategy)
Expert in green subsidies and environmental charges	In cooperation with the national expert in green subsidies and environmental charges: <ul style="list-style-type: none"> - contribute to the implementation of project components 1.2.1 (reform of emission and product charges and facilitation of eco-technology investments) / 1.3.1 (good international practice in NEF/LEF management) / 2.1.2 (training of NEF/LEF staff)
Expert in greening MTEF and sub-national	In cooperation with the international expert in greening MTEF and sub-national

financial planning	financial planning: <ul style="list-style-type: none"> - contribute to the implementation of project components 3.1.1 (EFR integration in local development planning) / 3.1.2 (eco-taxes on local level) / 3.2.1 (greening MTEF planning)
Information and communication	In cooperation with the national information and communication expert, develop a communication and information strategy for the implementation of the following project components: 2.2.1 (information campaign and EFR website) / 2.2.2 (lessons learned and EFR case studies) / 2.3.2 (conferences and workshops)
Capacity development and M&R expert	In cooperation with the national capacity development expert, contribute to the implementation of the following project components: <ul style="list-style-type: none"> - 2.1.1 (training needs assessment) - develop and support the implementation of a training and other capacity building programme addressing capacity building needs for new and improved EFR measures - support in development and implementation of Monitoring and Reporting (M&R) plan for capacity building programme in specific and for the project in general, at project inception phase and on a yearly basis according to GEF requirement - support in establishing project indicators baseline and yearly progress including lessons learned and case studies
Evaluation expert	- perform Final Evaluation

<i>Position Titles</i>	<i>Qualifications</i>
For Project Management	
Local	
Project manager	<ul style="list-style-type: none"> - Advanced university degree in the fields of public finance, environment or economics - At least 5 years substantive professional experience in public finance, especially covering one or both of the following areas: agriculture subsidies and/or energy taxation/subsidies - Proven expert knowledge in environmental fiscal reform, especially regarding project work areas - At least 5 years substantive professional experience in managing complex projects or multi-annual work programs - Established network of contacts with key project stakeholders, especially on national level - Previous work experience with UNDP is an advantage - Supports the vision, mission and strategic goals of UNDP and GEF - Excellent communication and organizational skills - Excellent management skills - Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications - Language: Romanian/Russian and English
Administrative and Financial Assistant	<ul style="list-style-type: none"> - University Degree in economics, finance, management and administration or other closely related field. - At least four years of experience in administrative, business, management work, accounting/finance, economics, or other substantive area is required.

	<ul style="list-style-type: none"> - At least two years of previous working experience in the implementation of international, preferably large scale, projects, or work for a donor organization, consulting company or NGO is compulsory. - Experience in similar positions in a UNDP and/or GEF-funded project is a very strong advantage. - Experience in the usage of computers and office software packages (MS Word, Excel, etc) and advanced knowledge of spreadsheet and database packages, experience in handling of web based management systems. - Supports the vision, mission and strategic goals of UNDP and GEF - Excellent communication and organizational skills - Language: Romanian/Russian and English - Fluency in both oral and written English, Russian and Romanian is a must.
For Technical Assistance	
Local	
Legal Expert	<ul style="list-style-type: none"> - Advanced university degree in Law - At least 5 years substantive professional experience in areas related to public finance/tax law in Moldova - Sound, practical understanding of Environmental Management and economic/financial instruments. - Familiarity with the International Conventions addressing Climate Change, Desertification and Biodiversity Conservation. - Established network of contacts with key project stakeholders, especially on national level - Previous work experience with UNDP is an advantage - Supports the vision, mission and strategic goals of UNDP and GEF - Excellent communication and organizational skills - Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications - Language: Romanian/Russian and English
Expert in energy taxation	<ul style="list-style-type: none"> - Advanced university degree in the fields of public finance, economics, environment or engineering/energy - At least 5 years substantive professional experience in areas related to taxation and subsidization of energy in Moldova - Established network of contacts with key project stakeholders, especially on national level - Previous work experience with UNDP is an advantage - Supports the vision, mission and strategic goals of UNDP and GEF - Excellent communication and organizational skills - Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications - Language: Romanian/Russian and English
Expert in agriculture subsidies and biodiversity finance	<ul style="list-style-type: none"> - Advanced university degree in the fields of public finance, economics, environment or agriculture - At least 5 years substantive professional experience in areas related to agricultural subsidies in Moldova; in addition, substantive professional experience in biodiversity economics and/or finance would be a major asset - Established network of contacts with key project stakeholders, especially on national level - Previous work experience with UNDP is an advantage

	<ul style="list-style-type: none"> - Supports the vision, mission and strategic goals of UNDP and GEF - Excellent communication and organizational skills - Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications - Language: Romanian/Russian and English
Expert in green subsidies and environmental taxation	<ul style="list-style-type: none"> - Advanced university degree in the fields of public finance, economics or environment - At least 5 years substantive professional experience in areas related to environmental taxation, green subsidies and/or facilitation of eco-technology investment in Moldova - Established network of contacts with key project stakeholders, especially on national level - Previous work experience with UNDP is an advantage - Supports the vision, mission and strategic goals of UNDP and GEF - Excellent communication and organizational skills - Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications - Language: Romanian/Russian and English
EFR Expert	<ul style="list-style-type: none"> - Advanced university degree in the fields of public finance, environment or economics - At least 5 years substantive professional experience in areas related to environmental fiscal reform, especially regarding project work areas such as eco-taxes, green subsidies, biodiversity finance, greening MTEF and related capacity building - Established network of contacts with key project stakeholders, especially on national level - Previous work experience with UNDP is an advantage - Supports the vision, mission and strategic goals of UNDP and GEF - Excellent communication and organizational skills - Excellent management skills - Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications - Language: Romanian/Russian and English
Expert in greening MTEF and sub-national financial planning	<ul style="list-style-type: none"> - Advanced university degree in the fields of public finance or economics - Proven knowledge in <ul style="list-style-type: none"> o Economic and fiscal instruments for Environmental Management/Environmental Fiscal Reform processes; o Budget planning processes/ Moldovan public finance and accounts systems/performance based budgeting and revenue administration; o In-depth knowledge of the fiscal decentralization process. o Public internal financial control/Public procurement - Established network of contacts with key project stakeholders, especially on national level - Supports the vision, mission and strategic goals of UNDP and GEF - Excellent communication and organizational skills - Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications - Language: Romanian/Russian and English
Information and communication	<ul style="list-style-type: none"> - Advanced university degree in media relations, journalism, publishing or related fields

	<ul style="list-style-type: none"> - At least 5 years of relevant experience at the national level in public relations, communications or advocacy. - Previous experience with international organizations is an advantage - Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications - Experience with development web-based information management systems and proven familiarity with knowledge-sharing networks and their operations - Excellent communication and organizational skills - Language: Romanian/Russian and English
Capacity development expert and M&R	<ul style="list-style-type: none"> - Advanced university degree in development studies, business administration, or any social science-related field - A minimum of 5 years of progressively responsible professional working experience in the area of monitoring and evaluation; working with learning and capacity development initiatives - Profound knowledge and understanding of Moldovan public sector institutional capacity development requirements - Profound knowledge of results based management - Experience in conducting training needs assessments - Sound, practical understanding of Environmental Management and economic/financial instruments. - Previous experience with international organizations is a strong advantage - Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications - Excellent communication and organizational skills - Language: Romanian/Russian and English
International	
Expert in energy taxation	<ul style="list-style-type: none"> - Advanced university degree in the fields of public finance, economics, environment or engineering/energy - At least 10 years substantive professional experience in the area of taxation and subsidization of energy (previous work experience in Moldova is an advantage) - Substantive professional knowledge of energy taxation and subsidization policies in the European Union; knowledge of energy taxation and subsidization policies in Eastern European countries is an advantage - Established network of contacts with key project stakeholders and experts, especially on international level - Previous work experience with UNDP is an advantage - Supports the vision, mission and strategic goals of UNDP and GEF - Excellent communication and organizational skills - Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications - Language: English; excellent English writing skills; knowledge of Romanian and/or Russian would be an asset
Expert in agriculture subsidies and biodiversity finance	<ul style="list-style-type: none"> - Advanced university degree in the fields of public finance, economics, environment or agriculture - At least 10 years substantive professional experience in the area of greening agricultural subsidies, as well as biodiversity economics and finance (previous work experience in Moldova is an advantage) - Substantive professional knowledge of greening agricultural subsidy policies,

	<p>as well as biodiversity policies in the European Union; professional knowledge of such policies in other Eastern European countries is an advantage</p> <ul style="list-style-type: none"> - Established network of contacts with key project stakeholders and experts, especially on international level - Supports the vision, mission and strategic goals of UNDP and GEF - Excellent communication and organizational skills - Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications - Language: English; excellent English writing skills; knowledge of Romanian and/or Russian would be an asset
Expert in green subsidies and environmental taxation	<ul style="list-style-type: none"> - Advanced university degree in the fields of public finance, economics or environment - At least 10 years substantive professional international experience in the areas of environmental taxation and green subsidies (previous work experience in Moldova is an advantage) - Substantive professional knowledge of environmental taxation and green subsidy policies in Eastern Europe and the European Union - Experience with providing training on upgrading operational management of Environmental Funds - Established network of contacts with key project stakeholders and experts, especially on international level - Supports the vision, mission and strategic goals of UNDP and GEF - Excellent communication and organizational skills - Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications - Language: English; excellent English writing skills; knowledge of Romanian and/or Russian would be an asset
Expert in greening MTEF and sub-national financial planning	<ul style="list-style-type: none"> - Advance university degree in public financial management/public administration - At least 10 years of professional experience in public financial management/public administration reform - Fundamental knowledge of public financial management/public administration practices and fiscal decentralization - Fundamental knowledge of Environmental Fiscal Reform processes and instruments - Experience in Eastern European public finance systems - Supports the vision, mission and strategic goals of UNDP and GEF - Excellent communication and organizational skills - Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications - Language: English; excellent English writing skills; knowledge of Romanian and/or Russian would be an asset
Capacity development and M&R expert	<ul style="list-style-type: none"> - Advanced university degree in development studies, business administration, or any social science-related field - A minimum of 10 years of progressively responsible professional working experience in the area of monitoring, evaluation and reporting; working with learning and capacity development initiatives - Profound knowledge of results based management - Extensive experience in conducting training needs assessments - Sound, practical understanding of Environmental Management and

	<p>economic/financial instruments.</p> <ul style="list-style-type: none">- Ability to work effectively with major office software, including Microsoft Office, internet and e-mail applications- Supports the vision, mission and strategic goals of UNDP and GEF- Excellent communication and organizational skills- Language: English; excellent English writing skills; knowledge of Romanian and/or Russian would be an asset
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Annex D: Project Contribution to Rio Convention Provisions

CBD	Objective	Project Contribution
Article 6(b)	Integrate, as far as possible and as appropriate, the conservation and sustainable use of biological diversity into relevant sectoral or cross-sectoral plans, programmes and policies	The project will improve the regulation and operational management of national and local environmental funds that are responsible for financing a range biodiversity activities in Moldova
Article 7(c)	Identify processes and categories of activities which have or are likely to have significant adverse impacts on the conservation and sustainable use of biological diversity	The project will catalyze targeted reforms to increase the attribution to sources of environmental pollution and degradation, assigning and collecting fees and fines from the responsible social actors.
Article 10(a)	Integrate consideration of the conservation and sustainable use of biological resources into national decision-making	Environmental fiscal reforms will be structured around the strengthening of national decision-making structures and processes in order to improve biodiversity conservation and sustainable use.
Article 10(e)	Encourage cooperation between its governmental authorities and its private sector in developing methods for sustainable use of biological resources.	The cross-cutting nature of the project to reform the financing of environmental management and natural resource conservation activities require the cooperation of key agencies. This project builds upon the catalytic work of the NCSA in encouraging inter-agency consultation. EFR will be undertaken through coordinated work between the Ministries of Environment, Finance, Agriculture and Food industry, Construction and Rural Development, and Economy. Other key partner agencies include the National Energy Regulatory Agency, Moldsilva (forestry agency), and local public administrations.
Article 11	Adopt economically and socially sound measures that act as incentives for the conservation and sustainable use of components of biological diversity.	A purpose of this environmental fiscal reform project is to strengthen economic and socially responsible incentives to reduce environmental degradation that results in a loss of globally significant biodiversity.
Article 12(a)	Establish and maintain programmes for scientific and technical education and training in measures for the identification, conservation and sustainable use of biological diversity and its components and provide support for such education and training for the specific needs of developing countries	This project will provide training on the application of new tools and instruments for environmental fiscal reform that will contribute to improve monitoring and collection of fees and fines to finance biodiversity conservation activities.
Article 13(a)	Promote and encourage understanding of the importance of, and the measures required for, the conservation of biological diversity, as well as its propagation through media, and the inclusion of these topics in educational programmes	The project includes a communication and awareness campaign to raise awareness and commitment to protect Moldova's natural environment for both national and global benefit. In particular, awareness will be directed to understanding EFR as a measure to improve biodiversity conservation and sustainable use activities.

Article 14.1(a)	Introduce appropriate procedures requiring environmental impact assessment of its proposed projects that are likely to have significant adverse effects on biological diversity with a view to avoiding or minimizing such effects and, where appropriate, allow for public participation in such procedures	Capacity building for EFR will take place within the framework of Moldova's institutional framework for carrying out environmental impact assessments. This will strengthen the tracking of indicators related to the loss of biodiversity, such as increase in the deforestation of landscapes critical to migratory birds.
Article 14.1(b)	Introduce appropriate arrangements to ensure that the environmental consequences of its programmes and policies that are likely to have significant adverse impacts on biological diversity are duly taken into account	EIAs and EFRs represent a synergy of two institutional frameworks that will strengthen the monitoring of biodiversity conservation activities and attribution of environmental fees and fines.
Article 17.1	Facilitate the exchange of information, from all publicly available sources, relevant to the conservation and sustainable use of biological diversity	EFR requires that the various partner national agencies and entities share key information. This includes the review of their existing financial management systems to identify blockages, wastage, as well as opportunities to build on successful fiscal practices.
Article 17.2	Exchange of information shall include exchange of results of technical, scientific and socio-economic research, as well as information on training and surveying programmes, specialized knowledge, indigenous and traditional knowledge	This project will building upon best practices in the region. To that end, the OECD, a key partner to this project, will contribute significant co-financing and training on tools, measures, and institutional practices to improve the assignation, collection, and distribution of fees and fines related to the loos of biodiversity conservation.
Article 20.1	Provide, in accordance with its capabilities, financial support and incentives in respect of those national activities which are intended to achieve the objectives of this Convention, in accordance with its national plans, priorities and programmes	The Government of Moldova is providing US\$ 250,000 in co-financing to support a range of EFR activities that are in the national interest, particularly to support the integration of EFR instruments into the sub-national decision-making process.
Article 21.4	Consider strengthening existing financial institutions to provide financial resources for the conservation and sustainable use of biological diversity	EFR will focus on strengthening the existing national and local environmental funds, which are already creating and operational, and which are the most important environmental subsidy scheme in Moldova.

CCD Objective

Project Contribution

Article 4.2(a)	Adopt an integrated approach addressing the physical, biological and socio-economic aspects of the processes of desertification and drought	EFR is an integrated approach to structuring and managing fees and fines as disincentives to the anthropocentric causes of desertification and drought among other forms of environmental degradation. EFR is also an approach to strengthen the cross-cutting set of financing structures and processes directed to managing and distributing financial resources for a range of environmental conservation and management services, including those directed to combatting desertification and drought.
Article 5(c)	Pay special attention to the socio-economic factors contributing to desertification processes	The synergy between EFR and EIAs creates a unique system to strengthen disincentives to those socio-economic activities contributing to the desertification process. For example, whereas EIAs will identify suite of socio-economic causes of anthropogenic desertification such as the excessive draining of water from the water table for industrial purposes, the complementary capacity building on EFRs will strengthen the assignment of fees and fines to mitigate such development and ensuing potential impacts.
Article 19.1(c)	Promote capacity-building to disseminate relevant technology methods and techniques more effectively.	This project will deliver training on best practices for EFR, building on the internationally recognized work of the project's development partner, OECD.
Article 19.3 (a)	Organize awareness campaigns for the general public	The project includes a communication and awareness campaign to raise awareness and commitment to protect Moldova's natural environment for both national and global benefit. In particular, awareness will be directed to understanding EFR as a measure to improve combat desertification and drought by looking at the anthropocentric causes and linking these to fees, fines and taxes as disincentive measures.
Article 20.1	Ensure that adequate financial resources are available for programmes to combat desertification and mitigate the effects of drought	The overall goal of this project through EFR is to strengthen and increase the predictability and levels of financial resources for programmes and projects to combat desertification and drought, among other causes and impacts of environmental degradation.
Article 20.3	Mobilize adequate financial resources for the implementation of their national action programmes	The strengthening of the NEF and LEFs through EFR is strategized to increase financial resources for the implementation of national action programmes under the Rio Conventions, such as the CCD NAPs.
Article 21.3	Strengthen national coordinating mechanisms, integrated in national development programmes, that would ensure the efficient use of all available financial resources	The NEF is the most important national coordinating structures in Moldova that are targeted to the financing of environmental action. This project will take holistic approach to strengthening the national institutional framework to ensure that EFR is integrated within the key national coordinating structures, building on the capacity development support provided by the OECD. Given the project's work to strengthen the decentralization of through EFR, the project will be closely coordinated with the UNDP/UNWOMEN Joint Integrated Local Development Programme.

FCCC Objective

Project Contribution

Article 4(1)c	Promote and cooperate in the development, application and diffusion, including transfer, of technologies, practices and processes that control, reduce or prevent anthropogenic emissions of greenhouse gases not controlled by the Montreal Protocol in all relevant sectors, including the energy, transport, industry, agriculture, forestry and waste management sectors	EFR is seen as one important market-based approach that will catalyze the development, use and spread of best available technologies and techniques to address greenhouse gas emissions. This project will deliver training on best practices for EFR, building on the internationally recognized work of the project's development partner, OECD.
Article 4(1)d	Promote sustainable management, and promote and cooperate in the conservation and enhancement, as appropriate, of sinks and reservoirs of all greenhouse gases not controlled by the Montreal Protocol, including biomass, forests and oceans as well as other terrestrial, coastal and marine ecosystems	EFR will be tied to environmentally sound and sustainable development, strategically structured and implemented in such a way that will catalyze and facilitate cooperation among stakeholders to reduce deforestation and undertake afforestation and reforestation in important landscapes that also benefit endangered endemic wildlife as well as reduce/prevent land degradation.
Article 4(1)f	Take climate change considerations into account, to the extent feasible, in their relevant social, economic and environmental policies and actions, and employ appropriate methods, for example impact assessments, formulated and determined nationally, with a view to minimizing adverse effects on the economy, on public health and on the quality of the environment, of projects or measures undertaken by them to mitigate or adapt to climate change	EFR will be structured around those particular fee, fine and tax structures associated with development, and integrated within Moldova's environmental impact assessment procedures and related decision-making with a view to assessing potential impacts of development on climate change, the potential of the impacts of climate change on the proposed development, as well as creating financial incentives (and disincentives) to strategically guide development decisions towards a low emission and climate resilient development pathway.
Article 4(1)h	Promote and cooperate in the full, open and prompt exchange of relevant scientific, technological, technical, socio-economic and legal information related to the climate system and climate change, and to the economic and social consequences of various response strategies	In partnership with the OECD, this project will take a comprehensive approach to cooperation among expert stakeholders and institutions in order to develop and apply the most appropriate EFRs to Moldova.
Article 4(1)i	Promote and cooperate in education, training and public awareness related to climate change and encourage the widest participation in this process, including that of non-governmental organizations	In partnership with the OECD, this project will undertake a series of training and public awareness activities with a view to developing a sustainable cadre of national expertise to continue the on-going development and application of EFRs, including their independent monitoring by non-state stakeholders to ensure the legitimacy of EFR application.

Article 6(a)(iii)	Promote and facilitate public participation in addressing climate change and its effects and developing adequate responses	This project will undertake a public awareness campaign to raise the understanding and acceptance of civil society of the high value of EFR to meet national socio-economic and environmental priorities, with particular attention to framing EFR as needing civil society's participation in being a part of the solution.
Article 6(a)(iv)	Training of scientific, technical and managerial personnel	In partnership with the OECD, this project will undertake a series of training and public awareness activities with a view to developing a sustainable cadre of national expertise to continue the on-going development and application of EFRs, including their independent monitoring by non-state stakeholders to ensure the legitimacy of EFR application.
Article 6(b)(ii)	The development and implementation of education and training programmes, including the strengthening of national institutions and the exchange or secondment of personnel to train experts in this field	In partnership with the OECD, this project will undertake a series of training and public awareness activities with a view to developing a sustainable cadre of national expertise to continue the on-going development and application of EFRs, including their independent monitoring by non-state stakeholders to ensure the legitimacy of EFR application.

Annex E: Coordination with ongoing Projects and Programmes

Description of on-going projects/programmes relevant to the current project under submission and benefits received from the current project under submission.

Relevant on-going projects and programmes	Funding level	Government agencies and development partners	Benefits received by on-going projects/programmes from the current project under submission
National Environmental Fund (NEF) and Local Environmental Funds (LEFs) are operational since 1998 in the aim of financing environmental protection and restoration measures.	Yearly budget in 2009 of the NEF was around US\$ 15.6 million. Yearly budget in 2009 of the LEFs was around US\$ 685,000	NEF and LEFs are subordinated to the Ministry of Environment	This project will contribute to improving the management and operational procedures of these funds, focusing on facilitating investments related to Moldova's commitments under the CBD, CCD, and FCCC. Current analysis shows that 76% of the total NEF expenditures aimed at funding projects for implementing the national strategies, programmes and plans for environment protection; while around only 22% of LEFs' expenditures are related to protection, construction and development of environmental protection measures. The NEF and LEFs currently represent the most important environmental subsidy schemes in Moldova. At present, commitments related to the Rio Conventions play a very minor role in decision-making on how the resources of the NEF and LEFs are being allocated.
Agency for Payments and Interventions in Agriculture (APIA) is operational since 2008 was established for the following purpose modernizing the agricultural sector and improving crop and livestock yields	Yearly budget in 2010 was around US\$ 50 million	APIA is subordinated to the Ministry of Agriculture and Food Industry (MAFI)	This project will support a reform of agricultural subsidies including green agriculture subsidies that have both positive economic and environmental benefits such as increased employment, a reduction of harmful chemicals and compounds, higher land and soil productivity. The distribution of agricultural subsidies in 2010 shows that the subsidy for ecological agriculture was at the level of 0.3% of the total subsidy funds while subsidies for the utilization of fertilizers and pesticides were at the level of 2.8% of the total subsidy fund. Environmental criteria are not applied in the other areas of agricultural subsidization due to lack of efforts in incorporating environmental and Rio Conventions-related criteria into policies enabling subsidies and fiscal incentives in the agriculture sector.
The Joint Integrated Local Development Programme (JILDP),	Total budget of US\$ 13,500,000	State Chancellery with support	This project will support the greening of Moldova's decentralization process, specifically its Performance Based Budgeting system by elaborating and

<p>phase 1 was launched in 2007, phase 2 started in 2011 with a strong focus on decentralization</p> <p>JILDIP is developing human, institutional and financial management capacities in the selected towns, designing appropriate systems and procedures and adopting it to local governments plans, budgets, implementation, monitoring and evaluation activities in a participatory manner</p>		<p>from UNDP and UNWOMEN</p>	<p>implementing EFR instruments at the sub-national level (district and municipality level) as part of the Government of Moldova's on-going decentralization process and policy to strengthen sub-national authorities.</p> <p>The Parity Commission on Decentralization, which includes public authorities, civil society and associations of LPAs has been established and in its the preliminary consultations on the content of the strategy have been initiated at the level of several Working Groups.</p> <p>EFR will be integrated as part of the “Financial Decentralization Working Group” of the JILDIP that has been established to improve the local public finance system that would guarantee the financial autonomy of LPAs, maintaining financial discipline and increasing technical and financial efficiency.</p> <p>The project will allow EFR to be integrated within the Strategy in the Parity Commission it will be submitted to the Government for approval.</p> <p>The project will also allow the development and implementation of appropriate EFR instruments approved within the decentralization process.</p>
<p>The GEF funded MSP “Improving coverage and management effectiveness of the Protected Area System in Moldova “ project aims to improve the representativity and coverage of the protected area system and to build the capacity of protected area institutions in Moldova to more effectively establish and administer a representative system of protected areas in Moldova.</p>	<p>Total budget of US\$950,000 (GEF)</p>	<p>Ministry of Environment, Moldsilva, Ministry of Culture, UNDP</p>	<p>This project will complement the objectives and outcomes of the GEF funded MSP “Improving coverage and management effectiveness of the Protected Area System in Moldova“ by improving budget allocations and investment finance for biodiversity in general and protected areas in specific.</p> <p>The project will also ensure as part of its strategy to establish modalities for sustaining such financing.</p> <p>By conducting a costing and financing strategy for the sub-sector biodiversity protection in line with good international practice, the project will allow the establishment of a financial sustainability of biodiversity conservation efforts and protected areas as per the CBD objectives.</p> <p>This will also allow MoE to elaborate its budgets and MTEF submissions, specifically for the sub-sector biodiversity protection with the aim of increasing and stabilizing budget allocations to the MoE. This will lead, in return, to the stabilization and enhancement of necessary financial support for the management of the</p>

			protected areas system in Moldova.
<p>In 2009, OECD's programmes related to EFR included launching the "National Policy Dialogues on Environment and Development".</p> <p>In 2011, OECD will conduct a large scale training programme for environmental authorities in Moldova.</p> <p>In 2012, OECD will launch its Work Programme which includes a long-term technical assistance programme, in line with the recommendations of the National Policy Dialogue which was conducted by OECD in 2009 and which includes EFR as an important pillar of its activities.</p>	Yearly budget allocation of around Euro 200,000	MoE with support from OECD Environmental Action Plan (EAP)	<p>This project will complement MoE/OECD's activities related to strengthening the institutional basis of the economic and fiscal reforms and integrating the EFR process outcomes in the budget planning process. This will be done by strengthening the decision-making and technical modalities for "greening the budget and MTEF planning" by linking strategic planning to budget planning based on national and global environmental priorities.</p> <p>Coordination between OECD's activities and the project will allow the strengthening of the MoE's budget planning process and its MTEF to ensure that the financial planning at local and national levels are addressing local, national as well as global environmental priorities.</p>

IX. Signature Page**Country: Moldova**

UNDAF Outcome(s)/Indicator(s): By 2011, Public Institutions with the support of Civil Society Organizations (CSO) are better able to ensure good governance, rule of law and equal access to justice and promotion of human rights

CPAP Outcome(s)/Indicator(s): Management of environment and natural resources is improved in compliance with international standards

CPAP Output(s)/Indicator(s):

- CPAP Output 1.4.1: Environmental monitoring and information systems and tools are updated and effectively used
- CPAP Output 1.4.3: Civil society is better able to participate in environmental policy formulation and monitoring

Implementing Partner: Ministry of Environment

Responsible Partner: Ministry of Environment, UNDP

Programme Period:	2007-2012
Atlas Award ID:	61741
Project ID:	78482
PIMS #	4379
Start date:	2011
End Date	2013
Management Arrangements	NIM
PAC Meeting Date	15 Sept. 2011

Total resources required	1,120,450
Total allocated resources:	620,450
• Regular (UNDP TRAC)	110,000
• Other:	
○ GEF	510,450
In-kind contributions/funds not managed by UNDP	500,000
○ OECD	200,000
○ Government	250,000 ¹
○ UNDP	50,000

¹ Grant co-financing however not transferred to UNDP account but managed by the Ministry of Environment

Agreed by (Ministry of Environment):

NAME SIGNATURE Date/Month/Year

Agreed by (UNDP):

NAME SIGNATURE Date/Month/Year